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ABSTRACT

This is a report of a hearing held in Washington, D.C., on April 22, 1982, before the Subcommittee on Aging, Family, and Human Services of the Committee on Labor and Human Resources, United States Senate. The purpose of the hearing was to examine the untapped human potentials for volunteerism in America by promoting individual and corporate responsibility to assume a greater burden in American society. Testimony includes statements from 14 individuals representing the Benevolent and Protective Order of Elks; the Heritage Foundation; National Center for Neighborhood Enterprise; Center for Health Policy Research; American Enterprise Institute for Public Policy Research; the Brookings Institution; Center for Responsive Governance; National Youth Work Alliance; National School Volunteer Program, Inc., President's Task Force on Private Sector Initiatives; a United States Senator; ACTION; American Foundation for Voluntarism; and Frito-Lay, Inc. Responses of the witnesses to questions are also provided. (YLB)

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VOLUNTARISM IN AMERICA: PROMOTING INDIVIDUAL AND CORPORATE RESPONSIBILITY

ED224973

CE

HEARING

BEFORE THE

SUBCOMMITTEE ON AGING, FAMILY AND HUMAN SERVICES

OF THE

COMMITTEE ON LABOR AND HUMAN RESOURCES UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

TO EXAMINE THE UNTAPPED HUMAN POTENTIALS FOR VOLUNTARISM IN AMERICA BY PROMOTING INDIVIDUAL AND CORPORATE RESPONSIBILITY TO ASSUME A GREATER BURDEN IN OUR SOCIETY

APRIL 22, 1982

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VOLUNTARISM IN AMERICA: PROMOTING INDIVIDUAL AND CORPORATE RESPONSIBILITY

THURSDAY, APRIL 22, 1982

U.S. SENATE,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
SUBCOMMITTEE ON AGING, FAMILY, AND HUMAN SERVICES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:40 a.m., in room 4232, Dirksen Senate Office Building, Senator Jeremiah Denton (chairman of the subcommittee) presiding.

Present: Senator Denton.

OPENING STATEMENT OF SENATOR DENTON

Senator DENTON. This hearing will come to order.

Good morning. The subcommittee has called this hearing because of the urgent need to improve our governmental welfare system as a part of the overall effort to redress our budgetary priorities and control Federal spending. The President has highlighted the need by his call for a "New Federalism" to reorder the responsibilities of the several levels of government and by his emphasis on voluntarism as an essential part of the American system.

This hearing also falls during the nationwide observance of National Volunteer Week, which I hope will receive full attention from all of our citizens.

We are pleased to provide a forum for representatives of ACTION, the President's Task Force on Private Sector Initiatives, and dedicated private citizens, to discuss their roles in promoting voluntary service in our country.

I am gratified by the call of our country's leaders for a renewal of the voluntary spirit among the American people, and this seems to be a universally shared gratification. We all know our Nation was built on the efforts of individuals working together in the common struggle for life, liberty, and the pursuit of happiness. They were concerned for the well-being of all, and saw their civic and human duties as including assistance to their less fortunate compatriots in times of hardship. I believe these same efforts and concerns have motivated and shaped our citizens and government as America has evolved.

Recently, however, the volunteer impulses of private citizens and private businesses have been somewhat stifled by sometimes misdirected or overbearing, though well-intentioned, government programs and policies. I believe we have an economic and a social obligation to encourage private individuals and organizations to

become more involved in helping those with special needs. That is not because all government social programs are bad or unnecessary, but because we must restore a proper balance between the actions of government and the social impulses and responsibilities of our citizens.

We have come to place too great an emphasis on governmental solutions to social problems. Over the past 20 years, Federal expenditures on social programs have increased from $20 billion to $300 billion. This explosion of spending has resulted, as we all know, in a massive Federal deficit. It has also conditioned people to expect that government will take the primary responsibility for solving any and all social problems with which we are or may be confronted.

This emphasis contradicts, indeed subverts, the essential purpose of our Federal Government. The founders of our country stated that purpose in the Constitution, and among those purposes is to provide for the common defense and to promote the general welfare. The wording was not happenstance. It means that we are not required to provide for the general welfare of all as a governmental responsibility, nor are we permitted in the government to simply promote the common defense. We must provide for it. And we are in a condition of misplaced emphasis now, and we have neither adequate common defense nor the best state of well-being for our citizens, which is achievable within our resources.

The welfare of our people will be best provided if government permits it to be provided primary by the fruits of free enterprise, by the universal human drive for self-improvement as manifest through the operation of business and industry in an open and competitive economic system. It is jobs, not handouts, that provide welfare to our citizens, as a general rule. And it is business, not government, that creates and maintains jobs. Government cannot create and sustain truly productive jobs; it can but expend the tax dollars acquired from those who hold such jobs. If we really are to promote the general welfare, we must make it possible for business to operate freely, but in the interests of all.

We cannot forget that with enterprise, we must have compassion—compassion for all, not just for the less fortunate. Our system is indeed a product of free enterprise and compassion, in my view. Compassion moderates the selfishness that goes with enterprise; enterprise makes it possible to be compassionate in an effective way. It is certainly compassionate to care for the essential needs of the less fortunate, the handicapped, those going through times of trial. It is more compassionate, and far more effective, to make it possible for individuals to have jobs than it is to pay them for being unemployed. But it is not compassionate to so constrain business by regulation, taxation, limitations, and so on, that free enterprise cannot flourish, in the way that it has over our history.

The function of government is to do those things that cannot be done by citizens, families, and social organizations. It should not do or undertake to do more than that, but that, it must do. Private business and voluntary associations of our citizens should, indeed must, take an active part in, and the responsibility for, much of what our government, in an excess of zeal, has tried inadequately, inappropriately, and expensively to do.

The private sector must be stimulated and motivated to involve itself actively in our social problems. Business and the traditional voluntarism of our citizens must assume an increasing role in supporting less fortunate individuals and enabling them to become productive members of our society.

The challenge is particularly great for our business sector. If business does not show enough compassion, if it does not play a reasonable and responsible role in responding to the needs of our citizens by voluntary actions, as well as by creating jobs, we will once again see irresistible pressure to reimpose those taxes, regulations and limitations, which have come to strangle them, and I think we would see that reimposition to a far greater extent than we have seen it in the original imposition, which developed over the past particularly 15 or 20 years.

President Reagan has emphasized that we are not calling for a resurgence of voluntarism and private initiatives merely as a way to offset Federal budget cuts. Rather, we advocate these approaches because they are "right in their own regard." But obviously, greater voluntarism has budget implications. Ultimately, as a greater share of the burden is taken by voluntary action, Federal spending for social programs will decrease. Indeed, it should decrease more rapidly than voluntary action increases, for private groups and agencies need not support the massive, multilayered governmental bureaucracy now required to plan, supervise, and monitor our society's good works.

I believe our society has the capacity and the compassion to emphasize again that charity and good works begin at home, rather than in Washington. I believe our Nation will be stronger, as well as more truly compassionate, when individuals, businesses and religious organizations once more play the major role they have and can today play in helping their fellow man.

There is a wealth of untapped human potential in this country. A 1979 Gallup poll found that 70 percent of Americans are willing to participate in neighborhood betterment or social service activities. At the same time, it is estimated that only 25 percent of Americans do volunteer work. I believe that if more of our people perceive their help is needed and are shown that they are able to contribute, they will become more involved. This is one of the major aims of the ACTION agency and the President's Task Force on Private Sector Initiatives.

Business can also play a larger role. We all recognize that businesses have an obligation to make a profit, but there is also a responsibility for them to play an active role in the communities of which they are parts. Indeed, the two are mutually dependent upon one another. Although the tax laws are designed to encourage businesses to contribute, on the average they donate only 1 percent of their profits to charitable activities. I am pleased that the President's task force has called for a doubling of that rate of contribution. I also hope that the idea of giving employees release time to do volunteer work will spread throughout the business community.

Churches are our strongest voluntary organization. I believe our country would be better off if they were to take an even more active part. There will be some testimony mentioning that today, but we will have a deliberate focus on that in future hearings. I

have often said that if each church adopted just one needy person, the burden of our governmental agencies would be greatly reduced. The Reverend Billy Graham has estimated that if each church adopted an average of 10 people, we could do away with Government administered welfare altogether. Churches can give more personalized attention with a great deal more flexibility than can Government, and we must not forget that they were the original institutions to which our citizens looked in time of need. I intend to explore the efforts churches in America are currently undertaking to become more active institutions of effective compassion in our society.

I might note that churches in particular, but other charitable organizations as well, will benefit from the experimental changes already made to the tax law to encourage charitable giving. These changes allow a deduction for charitable contributions even if the taxpayer does not itemize deductions. By 1986, the last year of the experiment, taxpayers will be allowed to deduct all their charitable contributions without limit, even if they do not itemize their other deductions.

I will just sum up with a quotation from President Reagan, which says it, I think, very well. He says:

> We have an unprecedented opportunity in America in the days ahead to build on our past traditions and the raw resources within our people. We can show the world how to construct a social system more humane, more compassionate and more effective in meeting its members' needs than any ever known.

At this point we will receive for the record a statement from Senator Humphrey who is a member of the committee, but was unable to be with us today.

PREPARED STATEMENT OF SENATOR HUMPHREY

Senator HUMPHREY. I would like to commend the distinguished chairman for holding this hearing to explore ways to strengthen voluntarism in America through promoting individual and corporate responsibility. The New Federalism and the changing relationship of the Federal and State Governments emphasize the importance of the involvement of the community, private groups and individuals and require a renewed spirit of cooperation from all of us. We must develop ways to generate support for needed social programs from the energy and generosity of concerned local citizens, and encourage the participation of all Americans in this vital endeavor.

In my role as chairman of the Subcommittee on Alcoholism and Drug Abuse, one of my most rewarding experiences has been the privilege of working with the dynamism and dedication of the private sector. Two examples of the many groups I have worked with demonstrate the vital role voluntarism at its best can play.

The work of the parents who have organized to prevent and control alcohol and drug abuse is one of the finest examples I know of the important contribution that voluntary organizations can make toward solving our Nation's problems. Parents have come together and formed thousands of groups nationally to stem the tide of drug and alcohol abuse among our youth. They have created a much

needed grassroots network to transmit and disseminate the latest information and research findings on alcohol and drug abuse.

These parents groups, such as the National Federation of Parents for Drug Free Youth, PRIDE, and others too numerous to mention constitute an important link in the chain of communication between teenagers, schools, and community groups. Through their diligent efforts we have been able to advance our knowledge and understanding of the drug and alcohol problems of young people far beyond what Government would have been able to achieve alone. The rapid growth, complete dedication, and impressive results of the parents groups movement proves that the private sector can be mobilized into productive action.

Another fine example of the heartening results that can be achieved through volunteer efforts is the National Council on Alcoholism [NCA]. The NCA is a national voluntary health organization founded to combat the disease of alcoholism through the promotion of programs for early identification, prevention and treatment of alcoholism, and dissemination of information on alcoholism to the public. The NCA is comprised of a network of over 220 community and State affiliates who serve as information, referral, and education agencies on alcohol abuse and alcoholism.

There can be no doubt that the voluntary efforts of individuals working through NCA have made a major contribution to the remarkable progress our society has made over the past few decades in recognizing and dealing with problems of alcohol abuse and alcoholism. Indeed the effective advocacy of volunteer organizations such as NCA, serving as a bridge between the private sector and Government, has led to monumental achievements in this field.

These are just two examples of the many fine volunteer efforts I have become aware of through my work with the Subcommittee on Alcoholism and Drug Abuse. They are strong proof that voluntarism can be effective and can be tapped to help Government solve some of society's problems.

Today's distinguished panel of expert witnesses from Government and the private sector will help focus the Nation's attention on the importance of voluntarism and generate new ideas on ways to mobilize our citizens in this effort. I look forward to their testimony and to working with my colleagues in this most important endeavor.

Senator DENTON. It is with that spirit that we begin with our first witness, Mr. Tom Pauken, the Director of ACTION, the Federal agency for voluntary service. Mr. Pauken has my admiration and friendship. I share those philosophies of his which I am aware of, and I am always happy to associate with him, particularly this morning, in the context of this hearing.

Welcome, Mr. Pauken.

STATEMENT OF THOMAS W. PAUKEN, DIRECTOR, ACTION, WASHINGTON, D.C.

Mr. PAUKEN. Thank you, Senator Denton. I appreciate those kind words. I have already provided the subcommittee with a written statement, which I would like to ask be introduced into the record.

I would like to mention a few aspects of that and deal with some of the issues you have raised and some of the issues that have been raised, in general, with regard to President Reagan's initiative to encourage volunteerism in our society.

Senator DENTON. Your written statement will be included in the record.

Mr. PAUKEN. ACTION as the Agency legislatively mandated to encourage and enable persons from all walks of life and all age groups to perform meaningful and constructive volunteer service has a very special part to play in the President's drive to encourage voluntarism and private sector initiatives.

Our staff is working closely with the President's Task Force on Private Sector Initiatives, on which I serve as a member. You will be hearing about that task force in a few moments from Rob Mosbacher, who also serves on that task force. Our chairman, Mr. William Verity, also serves as a member of ACTION's Advisory Council, which is a group of citizens with diverse and extensive knowledge and experience of volunteer service. A committee of our Advisory Council is being formed to study specifically the work of the Presidential task force and to consider the implications of its findings and recommendations for ACTION's programs in the future.

We also cosponsored the President's Volunteer Action Awards which were presented last week to 18 outstanding individuals, organizations, and corporations, honoring them for outstanding volunteer achievement. These awards, which were offered for the first time at the Presidential level, are a unique effort to give proper recognition to some of the wonderful examples of voluntarism in America and to inspire others to follow in the footsteps of the awardees. The White House ceremony for the awardees was one of an array of special events designed to call recognition to National Volunteer Week and to encourage voluntarism in our society.

I would like to deal today with some of the issues that have been raised, particularly by some of the critics of the President's call for voluntarism. One of the arguments of the critics is that, "Voluntarism cannot make up for the budget cuts." Well, I think that that statement is based upon a faulty assumption. It never was intended—in fact, the President has been very specific in his comments that he did not intend to replace many discredited programs that did not work and are no longer funded, or even were counterproductive, in some instances, with voluntarism. I think such a statement assumes that the dollars cut were well spent. Yet, common sense suggests just the opposite—that agency by agency and department by department, you try to keep what works and cut that which does not work or is not effective and try to reduce your overhead and your costs. That is what we did at ACTION, and I would like to give a specific example in point.

We have a number of different programs that we inherited from the previous administration. We took a look at our older American volunteer programs, which are outstanding programs—retired senior volunteer program, Foster Grandparents program, senior companions program, and have kept funding at current levels. We have reduced administrative overhead. In fact, we have cut our administrative overhead by some 20 percent. We have cut VISTA and some other programs which we deemed ineffective and which we

felt in some instances were even counterproductive. I cannot speak for every agency or department, but I suggest that this approach has been the rule, rather than the exception. Take a look at your best programs, and try to build on them.

Let me give you a specific example of what that led to in our Agency. Even though we have faced some budget cuts, we find that from 1980 to 1982, the number of domestic volunteers associated with ACTION-related programs have increased by some 70,000. Even in the wake of budget cuts and even in the wake of a proposed budget reduction for 1983, we anticipate an increase of volunteers, principally in the older American field, of some 16,000 additional volunteers.

So what I am suggesting is that with reduced Federal participation, yet at the same time with Federal encouragement and with Federal support where appropriate, where effective, you can actually increase and expand volunteer strength.

Second, I think it is important that the proposed community partnerships, which I know Mr. Mosbacher will address in a few moments, under the private sector task force, would take a very close look, community by community, before acceding to the demands of many of those groups who are no longer receiving Federal funds, but who will be going out and telling the private sector that now it is the private sector's responsibility to pick them up in terms of financial support. I think they should stand or fall on the merits of their work, on the merits of their proposals, and on what they have accomplished in the field of voluntarism.

The second issue I would like to discuss briefly is the idea that is floating around that volunteers cannot replace the professional social service delivery system, which has grown so enormously in the past 20 years. Well, first of all, I think the argument comes from many of those who told us that the Washington experts had all the answers; in the wake of the sixties and the Great Society, that if we just had enough money and enough centralized authority, which they had both of for a substantial period of time, somehow we would be able to solve most if not all of our social problems in America. Not only has it not worked, but indeed, it has been excessively costly particularly upon working Americans in our society. However, in addition to just the cost of the lack of effectiveness, what a centralized bureaucracy does, what a growing impersonal structure at every level of our society does, was cited by Prof. Robert Nesbitt in his book, "The Twilight of Authority." He pointed out that the word, "bureaucracy," has come to symbolize, above all others in our time, the transfer of government from the people as organized in their communities and the social order, as equipped with the tastes, desires and aspirations which are the natural elements of their nature, to a class of professional technicians, whose principal job is that of substituting their organizations, their tastes, desires and aspirations, with those of the people. It is a seemingly ineradicable aspect of bureaucracy that makes for the relentless, unending conflict between bureaucracy and freedom that more and more people in the present age have come to regard as central. Also, it is this situation that has led so many people to despair of restoring to Government those foundations and popular will which are essential to a viable and vital political community. The single

greatest revolution of the last century in the political sphere has been the transfer of political power and human lives from the constitutionally visible offices of Government, the nominally sovereign offices, to the vast network of power that has been brought into being in the name of the protection of the people from their exploiters.

I think this is a very fundamental point, and I think one of the objections that some people have, and some interests have, to the expansion and encouragement of voluntarism is their concern that this centralized authority and power will be displaced. I like to view volunteers, particularly those who have done remarkable things, as social entrepreneurs, people who have a vision, who have a commitment, who have a desire to do something about a need they see.

Let me give some specific examples which I have referred to on other occasions. Marva Collins, a woman in Chicago, took $5,000 out of her teachers pension fund and set up her own school to educate kids in the inner city, because she saw that kids were not getting educated, and she felt that something could be done about it. She has had a remarkable success story, but interestingly enough, now, some of the professionals are beginning to take shots at her. I suggest that has more to do with protection of certain interests than it has to do with the worth and value of her work.

Father Bruce Ritter in New York, as a priest teaching in a university, was chided by some of his students, about, "What are you doing, Father Bruce?" He went out in the Times Square area and began to see an enormous need out there to help runaway youth. There are some 1 million young people who run away each year, and so many young people run away to New York City with all of the problems and the vices that are attendant to moving and to going into that particular area. So he set up a runaway house program, and it has grown and expanded and developed. It is now known as "Covenant House." He is expanding into some other communities where there are real needs, including Miami, Fla., and Houston, Tex. We are trying to be of some assistance by providing a little bit of seed money, a little bit of catalytic help. But interestingly enough, when someone made reference to this at a conference of runaway professionals, or people involved in this field, there was resistance. Somehow, this was perceived as a threat, that Ritter's operation would be coming into cities where they had something operating at a professional standpoint. This worries me. This disturbs me. It brings me back to when I was a volunteer in El Paso, Tex., when I was in Vietnamese Language School. I was involved with a little program called Our Lady's Youth Center—a very simple, little, privately funded program. It was an employment program for people in the barrios of south El Paso. They paid $2 each for overhead costs, and the program got them jobs in the neighborhoods. Well, some people from Washington came into El Paso. They looked around at all of the programs that were going on, and they picked this one out, appropriately so, as a very excellent example of something that was working. Did they try to help it, did they try to encourage that that model be expanded? No, they did not. Instead, they opened up a Federal program, modeled upon it, with heavy overhead costs, two blocks away. It was disruptive of

the program at the youth center, it really was extremely costly in terms of dollars. I wonder, over the years, how effective it really turned out to be.

Our approach has been, rather than create a new bureaucracy and a new professional staff in Washington, to look at what is out there, and not go with those who are good at hustling grants, be it from the government or foundation, but those that are producing, those that are showing results in areas of real human need, and seeing where we can help and support their efforts.

I find it fascinating that some media stars in our society seem to be making a very good living off of what I would call their Reagan budget cut horror stories. I participated in a townhall meeting on volunteerism in Minnesota a couple of months ago, and prior to the discussion, we viewed a 1-hour documentary with songs from the Depression era in the background, along with emphasis on how this is related to Reaganomics. But in addition to that, I found it very fascinating that one of the examples they gave, was due, by inference, to Reaganomics. It was an example of a 26-year-old man who was living under a bridge, and somehow, that is the responsibility and the fault of this administration, and Reaganomics in particular. The questions I would have are why is that young man in that situation; does he have a problem with drugs, does he have mental problems, does he have problems relating to alcohol—what are the questions? None of those were addressed, none of those were really stated, because they had, in my judgment, their story already written. But interestingly enough, in Dallas—and I talked to a reporter yesterday in Dallas—he described something very different. They had a story about a 15-year-old young man, from the Northern part of the United States who was a runaway, and was on his own. There was a story about his predicament in Dallas. People found out about it, and that provided him some funds, so he was able to get home and get reconnected with his parents again.

What I am suggesting is that I could show you, night after night, day after day, just the opposite of what is being shown on network news and in the newspapers, in what I consider to be a rather significant drumbeat fashion to the American people day after day. I could tell you stories of volunteers making a difference in the lives of people with real needs, and it would be equally valid to what is going on in our society today.

Let me mention just a couple of examples from the President's volunteer awards of last week. First, there is the Sunshine Foundation of Philadelphia. An individual policeman, because he saw a need, started a program that he called "The Sunshine Foundation," and a group of policemen in Philadelphia got behind it. The idea was to do something about young people who are terminally ill, to try to do whatever they could to grant, if it was in their power, the young person's last wish. It has had some remarkable stories. It is a tragic story, to a certain extent, but it is also an incredible example of individuals, policemen in this instance, who on their own saw a need and tried to do something to make those difficult moments for young people more acceptable and more understandable.

A group of people in Midland, Tex., have a project called Christmas in April. They go out as carpenters, businessmen, profession-

als, and members of labor unions, and renovate, fix up and repair houses, particularly of the elderly, every year at a particular time.

Out in California, a man heads up a program, which was recognized last week, called Senior Gleaners. He takes food, sometimes crops, that are wasting away, and sees that it gets into the hands of the needy. He sees that the food that is leftover is distributed to those who need it. These are the kinds of approaches that are going on in thousands and thousands of different ways, in communities throughout the United States. I think that these are matters that need to be discussed, that need to be highlighted, by not just the President of the United States and Presidential Volunteer Awards, but community by community.

I think it is interesting—Morton Kondracke, who is the editor of "New Republic" and not known for his 100-percent support of this administration, made an interesting point about the media and this whole question that has been raised recently. He said, in a recent column in The Wall Street Journal,

> Shouldn't the network show the plight of unemployed workers and the hardship of families cut off from foodstamps? Of course, they should, but they should try to tell the whole economic story. During the Carter administration, when inflation was high, TV was always prowling the supermarket, in search of distressed housewives. Now that inflation is falling, which is good news, shopping baskets are nowhere to be seen. When the latest CPI figures came out, one network actually reported them as bad news for social security recipients whose cost of living adjustments would be cut. If you look hard enough, there is a cloud around every silver lining.

I think that, not just economic news, but the news of what people are doing in a very real and personal sense, should be highlighted as much as possible.

The final point that needs to be made is that this administration is not replacing something with nothing. What we are doing instead is taking a look at an approach which has not worked and offering a new approach, one that we think will work. The example I mentioned in terms of voluntarism can help to make a difference. I think in many instances, Government does have a catalytic role; Government can be supportive and helpful. In other instances, it should perhaps stay out of the way.

Let me give you an example of what I attribute to voluntarism and what volunteers can do, and that is the important issue of drug abuse. The parent's movement, the National Federation of Parents for Drug-Free Youth, really took off some 4 years ago—it involved parents who were concerned about what they saw in terms of their children, their neighbor's kids, and the dangers of drugs. Interestingly enough, figures with regard to regular, daily marihuana use have come down in those 4 years from 1 in 9, 4 years ago to 1 in 13 now.

Dr. DuPont, who is a former head of National Institute of Drug Abuse, in an article written prior to the administration coming into office, made an interesting point on the dangers of drug use. He said one of the things, in terms of the four best ideas in drug abuse prevention today, is that it was important for this administration to encourage the active mobilization of the Nation's parents of teenagers to reestablish the goal of maintaining a drug-free youth so that our most important natural resource, our children, can grow into adulthood free of drug dependency. Mrs. Reagan has

taken that on as a special project. She hosted a White House briefing on drug abuse just a few weeks ago, which brought together leaders of the parents' movement who told their stories, who told what can be done; that it was not hopeless, with just a little help. I have found as a result of that meeting already, corporations, foundations, and churches, are coming forward and saying, "How can we help? How can we be involved?" There is an example of an effort by the administration and by, in some small part, our agency to help serve as a catalyst to encourage the expansion of good work that is already going on.

The final point that I would make in this area is with reference to the older American volunteers in our society. We have more than 300,000 older American volunteers associated with ACTION-related programs. They are involved in everything from home health care for the elderly to dealing, as foster grandparents do, with those children with special needs. They are the most underutilized force in our society today, and I really believe that there is an opportunity for some major initiatives to expand this principle of voluntarism, this principle of public/private cooperative efforts, to make the numbers much larger in the years ahead. It is going to take some Federal assistance. We are maintaining our programs at current levels. We are encouraging other agencies and departments to use this model where applicable in a variety of needs. Title V, for example, has some potential in terms of encouraging or turning loose older American volunteers and part-time workers such as senior companions, to focus on the real problem of encouraging people to be able to stay in their homes rather than to have to be forced into nursing homes, as they are in some instances today.

Senator, it has been a pleasure to testify before your subcommittee. I would be happy to respond to any questions that you may have.

[The prepared statement of Mr. Pauken follows:]

TESTIMONY OF

THOMAS W. PAUKEN

DIRECTOR OF ACTION

BEFORE THE SUBCOMMITTEE ON AGING, FAMILY AND HUMAN SERVICES
OF THE COMMITTEE ON LABOR AND HUMAN RESOURCES

UNITED STATES SENATE

APRIL 22, 1982

Mr. Chairman and Members of the Subcommittee, I'm grateful for the opportunity to talk with you about ACTION's role in promoting volunteerism in America. As the Agency legislatively mandated to "encourage and enable persons from all walks of life and all age groups to perform meaningful and constructive volunteer service," ACTION has a very special part to play in the Administration's drive to encourage volunteerism and private sector initiatives.

I and my staff are therefore working closely with the President's Task Force on Private Sector Initiatives. Mr. C. William Verity Chairman of the Task Force, is a member of ACTION's Advisory Council, a group of citizens with diverse and extensive knowledge and experience of voluntary service. A committee of the Advisory Council will be formed to study specifically the work of the President's Task Force and to consider the implications of its findings and recommendations for ACTION's programs. In addition, I am a member of the Task Force and serve on two of its committees.

ACTION also co-sponsored the President's Volunteer Action Awards, presented in April to eighteen individuals, organizations and corporations, honoring them for outstanding volunteer achievement. The awards, offered for the first time this year, are a unique effort to give proper recognition to some of the wonderful examples of volunteerism in America, and to inspire others to follow in the footsteps of the awardees. The White House ceremony for the awardees was one of an array of special events designed to call recognition to National Volunteer Week.

In the past, too many of the ACTION Agency's activities contributed to the growing dependency of groups and individuals on the Federal Government. But it has become apparent in recent years that the solution to problems confronting the poor, the disabled, the elderly, and youth are not to be found exclusively or primarily in government, that bureaucracy is not best suited to solving people's problems and that the answers must be found in people working together. In the wake

of the failure of many social programs to provide the expected results, many have come to believe that self and community help constitute the most effective solutions to social and human problems. President Reagan has insisted on the need to limit the growth of bureaucracy, to return government to the people and to allow people to do for themselves as much as possible. This belief that people can do more through self-reliance than through government paternalism is now the keystone of the ACTION philosophy.

ACTION's programs are about self-help: finding ways for people to help each other without having to depend on the Federal Government for long-term assistance. ACTION helps people to help themselves, and serves the truly needy. Our programs do not encourage people to "give up" so they can go on federal assistance or to wait for expensive solutions to be found for problems that they can solve themselves. Our programs aim to teach people the "how to" of a solution that allows them to be productive, enterprising, and self-reliant in using their own skills. Last year ACTION's volunteers contributed nearly $335,000,000 in direct volunteer services to their communities. This figure does not take into account the significant hidden value of volunteer presence in a community in the generation of local, state, and private dollars, the recruitment of additional local volunteers, or the long-term effects and tax savings resulting from private sector solutions to social problems.

ACTION believes that volunteering is not only a civic obligation, but a personally rewarding experience. And it is those who volunteer who are the real experts in the field. It is well to remember that volunteering has a long tradition in America, from pre-Revoluntionary War days to the time of the embracing circle of the wagon train, with all inside secure, to the philanthropically supported shelters and centers of learning for those leaving the farm for the city in the early twentieth century. And today we have community-based organizations for neighborhood economic self-development -- as well as the lonely volunteer who may pull off the road to help someone fix a flat tire.

It is not that we are volunteering for service more, although I suspect we are. It is that we are valuing that service more, and more publicly, to teach ourselves anew about what might otherwise be lost. Because we know this is so, we are under a strong obligation to teach ourselves well and fully, and especially to teach the young, about this part of what it means to be American.

In this context, ACTION's focus on youth, as the target of volunteer assistance and especially as volunteers themselves, takes on great significance. The new Young Volunteers in

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ACTION program, now in operation at 12 sites (with more to come) enlists the idealism and energy of young people aged 14 to 22 in direct, part-time service to their communities. Under an adult volunteer coordinator, approximately 200 young people at each site are learning how to identify and meet the needs of other young people and of their entire communities, in projects as various as tutoring, energy conservation, health and companionship services for the sick and frail elderly, and assistance to parks and recreation programs. These student volunteers are meeting some of the most vital needs of their neighborhoods, towns, and cities, with special attention to the needs of the poor. They also, in some cases, are directing their service particularly to their own generation, with its special problems of drug abuse, insufficient literacy levels and homelessness. For their efforts, these energetic and committed volunteers receive in return the local and national recognition that accompanies membership in Young Volunteers and the opportunity to learn prevocational and vocational skills. These projects may be school or community based, and also may be sponsored by local chapters of national service organizations.

In addition to Young Volunteers, ACTION is supporting projects that encourage service in many areas including an extension of Big Brothers/Big Sisters to high school students as the "bigs" to elementary school "littles" who are at risk emotionally and academically. Other efforts include refugee assistance, combating drug abuse and illiteracy, aiding runaway youth, and technical assistance to local and state governments and nonprofit organizations to enhance their use of volunteers.

The Older American Volunteer Program is ACTION's largest and perhaps the Agency's best known program. This program is composed of three divisions: The Retired Senior Volunteers Program, the Foster Grandparent Program, and the Senior Companion Program.

The Retired Senior Volunteer Program allows volunteers, who receive no stipend, to help their fellow citizens in a variety of worthy endeavors -- such as working in nutrition programs in poorer neighborhoods.

The Senior Companion Program allows older volunteers to help their fellows perform some of the daily living activities necessary to keep them in their own homes and out of nursing homes.

The Foster Grandparent Program allows older volunteers to serve youth who are emotionally, mentally or physically handicapped -- creating a special bond of love between young and old.

Another area of emphasis in ACTION is the Vietnam Veterans

Leadership Program. It is designed to promote volunteer efforts in support of the well-being and the image of Vietnam veterans.

The Vietnam Veterans Leadership Program is a community-based effort that depends on the energy, responsibility and -- most importantly -- the creative, intelligent leadership of local volunteers in the true sense of the word -- non-stipended volunteers. Working under a local volunteer chairman and with a local, paid project director, the volunteers will operate at the appropriate social, economic and political levels of the community necessary to solve the lingering problems of their fellow Vietnam veterans.

It is important to identify one of the program's guiding principles: the vast majority of Vietnam veterans are now responsible hard-working members of their communities. Approximately 2.7 million Americans served in Vietnam and, as is to be expected from such a large group, many have excelled in the professions, business, academic and artistic pursuits. It is from this large, diverse and respected pool of veterans that the Vietnam Veterans Leadership Program will draw its volunteers. These are the people who will make the program work.

With regard to volunteerism and private sector responsibilities, in general, I want to emphasize again that ACTION views voluntary action across the broad range of voluntary associations, from small community-based non-profits to the large, national corporations, as part of the fabric of American life. We do not see voluntary activities as a series of temporary, shallow, or unreliable stopgap measures in a period of diminished federal program expenditures. To the contrary, the recently expanded federal role departed from a strong and successful tradition of self and community help. During his presidential campaign, President Reagan spoke often of "family, neighborhood, work, peace and freedom". This was not a mere slogan. Rather, it encapsulated the basis of our civic and religious culture: Americans preserve their freedom from large economic and governmental forces to the extent that they join together as families, in neighborhoods, in church and union halls, community groups, and other forms of voluntary association to do for themselves and for the less-fortunate among them what needs to be done. The ACTION Agency, for the coming years, will direct its efforts in support of these largely private, entrepreneurial, and quintessentially American endeavors.

In this time of re-examination of governmental priorities and programs, I am convinced that the ACTION approach of fostering self-help and self-reliance is more vital than ever in order to remove dependence on federal assistance. We are proud of the individual volunteer efforts that have been, and are being, made. They are good for those who make them as well as for those who benefit from them. But, more than that, we are proud to share in , and help promote, a national rededication to the American spirit of service.

Senator DENTON. Well, thank you very much. I think your four points, inasmuch as they addressed the criticisms, were rather well-taken, and in spite of the portrayal by the media—and I hate to use the term "media" to apply to all newspapers, television shows, and so forth. But in spite of that, the polls, some of them conducted by the networks, show a 36- to 37-percent approval of President Reagan's efforts in this regard.

I think we are in danger, if I can contribute to what you just said, of choosing up sides when we cannot afford to, on an issue that is really a national survival one. We are into a deficit situation, which I think—and I said this as I campaigned for this office—portends the possibility that we may prove Socrates correct when he said, as he contemplated, "It will never work" because sooner or later, the people will perceive they can get their hands in the till, and the elected officials will cater to that greed by developing constituencies among the unworthy, the undeserving, and those who will take what they truly do not deserve. Now, this can be in a business way, it can be in a welfare way. I believe we were on the way toward proving Socrates right. So I think it is a survival problem. A bankrupt nation can take care of no one, and the poor and the elderly are the first to feel the results of bankruptcy, spiralling inflation, and so forth. It is amazing that it seems to have escaped the notice as significant news that inflation has dropped to under 5 percent over the last 3 months. We have had 2 months in a row of decreasing wholesale price indexes, which the first drop was unprecedented since 1963; I do not know what 2 months in a row would be. Now, this is significant to the elderly, particularly to the retired. I believe there are signs that the interest rates will come down, at which point the depreciation breaks on taxes we have given businesses will, along with the individual income tax breaks, permit money which otherwise would have been given to the Government to be spent and/or saved without borrowing. This will immediately have the proper effects on the money supply to favorably affect the interest rates.

So what I would like to see happen is Democrats and Republicans, together, and liberals and conservatives even, professionals and amateurs—that is, the pros in this field and the amateurs—take an objective look at some of the issues that you have raised this morning and reach some kind of agreement. I believe that that has unconsciously taken place already in the Senate. I think there has been a universal sobering up and a narrowing of the differences. One kind of choosing up I would hate to see take place is that between those who have given themselves to Government service in the field of social work, because most of the time they were originally driven, and are driven, by their own sense of compassion and the feeling that they are participating in the application of compassion. It is similar to my experience in the Navy. You get into a program, let us say, a weapons system that you happen to be advocating, or a particular branch in which you happen to be serving and you think because you are in it, by virtue of your own pride in what you are doing, and your knowledge of what you are doing, that your organization is the best one. It can do things in your mind that others who are more objective cannot see the probability or likelihood of its doing. So you become an advocate.

I would like to see that tendency, watered down, and let us take a look at this as Americans, as human beings, who want to get the most possible done in the most effective way. Thomas Sowell said that if we had spent to the tune of one-third what we have been spending on welfare programs and had given the money directly to the poor, we would have lifted all the poor out of poverty. With three times that we are not affecting that many of the poor. We are just not reaching them. That fact alone is shouting evidence that we have got to change the game. But I hope we can change it without the friction of unnecessary ill will, and I find myself guilty, many times, of making categorical statements that I regret later, in the enthusiasm of promoting the point of view which you have just propounded.

I have a question here. To what extent has ACTION found that people want to volunteer or start new community projects, but lack direction as to how to do this? You have already said that you expect an increase of 70,000 volunteers, in spite of less Federal money in it, and I think you used 17,000 in the elderly alone. Would you have anything to add to that?

Mr. PAUKEN. Yes, Senator, I would like to add on to what you have said. I think that there are many professionals who understand what positive, productive resource volunteers are, and are utilizing many that are associated with programs in the older American field, as an example.

I would give as a specific case in point, the Vietnam veteran leadership program, which we have started. What we are doing is just getting it rolling, providing some seed money, being the catalytic force to help make it happen. But, it is interesting, I mentioned this idea of Vietnam veterans volunteering to serve their fellow veterans, those that are successful, helping those that have been less successful, and I was greeted with some cynicism. I underline or put quotation marks around "some." Perhaps "much" cynicism would be a more appropriate adjective. But, interestingly enough, this was last spring when I talked about the idea. On November 10, the President kicked it off at a ceremony at the White House. We have an outstanding group of Vietnam veterans around the country who are coming forward as volunteers, who are successful, and with a little bit of encouragement, with a recognition that:

> Hey, we are proud of our service; we are not drug-crazed psychos, we are not guilt-ridden victims, we are not ashamed for having served our country in Vietnam, and we are willing to help some of our fellow guys, particularly the ground-pounders who had limited educational backgrounds, get help, particularly in areas of real need, underemployment and unemployment.

It is just going into effect, but it is working. We have about 20 projects underway. There are people from around the country who want to participate, an incredibly talented array of people, including medal of honor winners, including former prisoners of war whom you know, and Gold Star mothers are coming in to serve as volunteers. We have just been incredibly impressed. One of our volunteers was named one of the 10 outstanding young men of America; another was the first to lead a group of handicapped climbers up Mount Ranier. All of these people are coming forward, at no pay, at no reimbursement or remuneration, but out of a belief that

they want to help some of their own who are still having problems. I am excited about that, and I think that is another example of what can be done. It takes a little push, it takes a little encouragement, whether it is from the Government or whether it is from a private foundation or the churches. Not everybody has a single answer, but all of us working together can be of some assistance. What we try to do in that program, is encourage local leadership—not parachute people in from Washington, D.C., to run it, not create a large bureaucracy in the Washington office that is going to create a new program, but instead, look for local leadership, which will then take the ball and run with it. They are doing very well so far.

Senator DENTON. One issue that you did not address, that I have seen implicitly addressed in some of the opening statements which have already been submitted, is the so-called debate about whether the Government programs can be totally replaced by volunteer programs.

Mr. PAUKEN. Senator, we have alternative programs which rely not only on some Federal funding, but the utilization of private resources as well. We are very encouraged with regard to the Older American Volunteer programs. They are some of the few Federal programs around where States, local communities, and private organizations virtually provide matching funds that they pick up themselves.

So, we are suggesting replacing something that has not worked with a new approach that we think will, and we think has been proven effective in the case of the Older American Volunteer programs.

Senator DENTON. Parenthetically, the bitter opposition which Marva Collins and Covenant House have developed over the past few months has had my notice and is very ironic. Covenant House is an outfit which I tried to promote before I was a Senator. And poor Marva Collins, the way the Chicago newspapers have turned on her in the last few months, is an example of the professionals not getting rid of their bile. I hope they exhaust it soon, because nobody is really after them.

You mentioned that we want to capitalize, exploit, the good programs we have out there, build on them and so forth, and in some cases, not provide as much money, but provide support and some money to good programs or to new programs. Can you give some examples by which that is now accomplished?

Mr. PAUKEN. Yes, Senator. Specifically in the area of drug abuse. We are providing some technical assistance funding, so that parents who want to do something about the drug abuse problem in their community, can be linked up with parent leaders who have been successful and who are willing and able to provide the information and knowledge as to how to avoid those kinds of mistakes that we all tend to make the first time around.

In addition to that, we have provided for some funding for the up-to-date scientific information on the dangers of drug use, ranging from marihuana to cocaine, and all of the other illegal drugs that are out there. I did not see the show on NBC the other night, but I understand they had an outstanding program on the dangers of drug use——

Senator DENTON. Particularly cocaine. I watched it.

Mr. PAUKEN. They have taken a real leadership position on this issue. I think if we can get more information out and also begin to reduce peer pressure support on young people it would help to alleviate the drug problem. I was shocked as an attorney, to have a young person who I represented on a drug-related charge, a first offender, get probation. I told him everything was fine, he just had to stay away from the use of illegal drugs, he was all upset, and I could not understand it. I thought he would be happy with the result. Finally, I said, "What is wrong?" and he said, "Well, if I do not do drugs, I will lose all my friends." That kind of peer pressure was really unknown to me in the late fifties in high school and the early sixties in college. There was the reverse peer pressure, of young people viewing other young people who were involved in illegal drugs as doing stupid things, and I think we have got to get back to that situation. To that end, we are encouraging the involvement of young leaders, Young Volunteers in ACTION, to be brought up to date in terms of knowledge about the dangers of drugs and also, hopefully, exercise some of that peer pressure on other young people of their age and their association.

In addition, Melissa Gilbert, of "Little House on the Prairie", has agreed to be spokesperson for our agency to young people and young audiences throughout the United States. She is very knowledgeable and a very effective representative of young people in bringing, I think, a good, positive message of avoiding drugs or adopting a drug-free environment.

Senator DENTON. One of my principal concerns is that, as we proceed in this valid direction, we do not let our intentions and expectations exceed our capacity for taking care of the needy. I think that synchronization is going to be one of the most difficult things to keep track of. It worries me.

How would you summarize what this subcommittee and Congress can do to promote voluntary approaches to meeting human needs? That is a big question. Are there any suggestions that you can give me in this public hearing?

Mr. PAUKEN. Well, I have mentioned some in my previous remarks. I think one of the things that we have got to do, all of us, and I think particularly appropriate for the Congress of the United States, which writes the laws, is to look at some of the delivery systems that have been out there, that have not been effective. We should try to measure them, see if they have worked, or where they have failed, and see if we can come up with alternative approaches, which perhaps are a mixture of professionals and volunteers, but have a different approach, a different basis. Do not rely so much upon large bureaucracies or institutionalisms developing in Washington. Title V is an example that might harbor some possibility of focusing. Let us say we want to focus on this idea of encouraging the elderly to be able to stay in their homes. Well, one possibility is a tax credit to families who have senior members in their homes. Another possibility is encouragement of home health assistance, so that those little things that sometimes make a difference between someone having to be institutionalized or not, can be helped along with a combination of volunteers and part-time senior employees.

An example of people, sometimes, who are in hospitals who, with a little bit of help, could get out of those hospitals earlier. Again, an example of where volunteers along with part-time senior employees working together could do a lot.

When I see the wonderful work of the Foster Grandparents with mentally retarded youngsters in our society, and also our retired senior volunteers who also work, in many instances, with children with special needs, I see that magic of older Americans and the values they have and the stabilizing force, being able to transmit something special to young people who are in a very difficult time in our society. I think it is something, this interconnection, this intergenerational association, we have got to build on, particularly because all the demographic studies show that we are becoming an older population. I think we are coming out of the youth binge of the sixties, where a lot of people seemed to believe that which is young is good, and that which is old is bad. We are beginning to appreciate more the wisdom and the experience of older Americans. But, they are still way underutilized, and there are a lot of initiatives, based on some of the models that we have and other models that are out there in the private sector. That, I think, can be developed as alternative legislative approaches to what has been going on for a period of time and what is not working very well.

Senator DENTON. Those older Americans, as you say, are not only wise by their age and experience, but the fact that they have seen in many cases a world war, depression—in some cases, two world wars. They have seen what real need is. They know what work and responsibility are, because they have in many cases, taken care of their own children, husbands or wives, and their grandchildren. They seem to be the least susceptible to this guile and demagoguery of the wrong approach. Only 17 percent of them, in a poll, believe that as a result of the cuts that have been so advertised, they are going to get a decrease in their social security payments. Of course, in the general population, it is about 50 percent thinking that these old people are going to be hurt. The elderly know what the score is, and they are quite correct in assessing it. They are volunteering, as you say, in tremendous numbers.

I have known for some 30 years that there is a tremendous potential there, not only in the sense that you have been talking about, but in terms of professional men who retire at 60 or 65. There is a tremendous field, sort of like the Peace Corps, in international relations, where these men, were the Government, just to give them the means to live, could do the kinds of things in the foreign countries which we are just not doing. We do not have an affirmative—we have a defensive, "Wait for the fire to break out"—kind of approach.

I would like to thank you, Mr. Pauken. I know how busy you are. Thank you for your valuable testimony here today.

Mr. PAUKEN. I appreciate the opportunity.

Senator DENTON. Our next witness is Mr. Robert Mosbacher, Jr. Welcome to you, Mr. Mosbacher. He is vice president of Mosbacher Production Co. in Houston, Tex. and a member of the President's Task Force on Private Sector Initiatives.

There are 44 members, as I understand it, of that task force. It must be difficult to organize the efforts of 44 men and undertake such a long-range and complex set of tasks.

I would mention that Mr. Mosbacher is no stranger to Capitol Hill, having served as administrative assistant to Senator Baker before returning to Texas. He is a man of many parts. It would take too long to relate some of the more notable features of Mr. Mosbacher's impressive biography.

We are glad to have you back in Washington today to represent the President's task force.

STATEMENT OF ROBERT MOSBACHER, JR., MEMBER, PRESIDENT'S TASK FORCE ON PRIVATE SECTOR INITIATIVES, HOUSTON, TEX.

Mr. MOSBACHER. Thank you, Senator. Thank you for sparing us that long litany of things listed on my resume.

I am delighted, on behalf of the President's task force, to have the opportunity to testify at your hearing. Voluntarism, or private sector initiative, is a matter of deep personal concern, as you know, to President Reagan and a matter of long-standing interest to me.

As you mentioned, I spent several years in Washington before returning home to the private sector, and in the course of that experience, I observed first-hand how Government had gradually assumed a progressively greater role in the treatment of various social and economic ills.

Clearly, Government can no longer play that role, and the question becomes, what happens to those programs previously within the province of the Federal Government, that now are facing reductions in Government spending.

I, for one, do not believe that we can simply eliminate these programs and hope the problems will go away, or that they will be alleviated by the expected economic recovery. Rather, I believe it is incumbent upon us as a nation to find new, creative ways to deal with old social and economic problems. That, as I understand it, is the purpose of these hearings, and that is the challenge of the President's task force.

In my judgment, the private sector represents both the best and the only practical alternative. But in making that assertion, it is necessary to define certain terms and add at least one caveat.

The first definition I would offer is of the term, "private sector." Contrary to common belief, the private sector consists of more than just the business community. Although the business community is one of the major elements, other elements include labor unions, religious establishments, academic institutions, nonprofit groups, civic organizations, as well as service recipients. Thus, when we speak of the private sector, we are referring to all the different elements that were just mentioned.

The second definition is of the term, "private sector initiatives." In its simplest form, private sector initiatives are efforts by individuals or institutions in the private sector to deal with a social or economic concern either independently or in concert with government.

For instance, a coalition of businesses in New York provides summer jobs for disadvantaged kids after a loss of Federal funding; a Rotary Club in Dayton, Ohio, adopts a daycare center as a project for its members in order to prevent its closing; or a local bar association in Houston organizes a pro bono legal assistance program to make up for some of the cuts in the Legal Services Corporation.

And now, the caveat. Despite the enormous opportunity that I believe the private sector has to cushion the impact of many of the cuts in Government funding—and I do believe it is enormous when you look at both the human and financial resources available—it cannot possibly, nor should it, attempt to fill the gap dollar for dollar or program for program.

Having said that, the question then becomes what can a national task force realistically do to maximize the involvement of the private sector in dealing with social and economic problems. That is the challenge of our task force.

In the 4 months since we were commissioned, considerable thought has gone into this question, and I am convinced, after the second full meeting of the task force over 6 weeks ago, that we have identified a practical and attainable set of goals.

The first and foremost is to encourage the creation or continuation of private sector initiative committees, or what we refer to as community partnerships, in cities and towns across the country. Those community partnerships consist of the local leaders of the various elements of the private sector.

This collection of individuals will attempt to identify their local problems, place them in some sort of priority, and then marshal the human and financial resources necessary to deal with them. What we are hoping to establish is an institutional mechanism or process at the local level that will involve private sector leaders in community problem-solving.

The President's task force cannot and should not impose upon any community its agenda or list of priorities. Rather, it is essential that we recognize that every community is different and that both its problems and the resources for dealing with those problems are different.

We also do not want to duplicate any of the outstanding ongoing efforts in cities across the country. Rather, we wish to build upon those efforts, hopefully coordinate them, and determine, in light of budget cutbacks, what is being covered and what is falling between the cracks.

If the private sector in a community is already dealing effectively with its problems, then the President's task force simply wishes to establish a relationship with it; but if such an organization does not exist, we hope to serve as a catalyst for its creation.

The second major function of the President's task force is to catalog models or examples of proven private sector initiatives that deserve to be recognized and replicated elsewhere in the country. The intent here is to take advantage of the abundance of existing effort and experience and make the models of one community available to individuals in another community. In this way, we avoid reinventing the wheel and provide something of a cross-pollinization service.

Now, having described how a community partnership might work in concept, the question becomes, does it work in practice.

My primary responsibility as a task force member is to help serve as a catalyst for the creation of these community partnerships in cities of the Southwestern part of our country. Having helped establish such committees in Houston, Dallas, San Antonio, and Tulsa, and having worked on the creation of committees in several other cities, I am convinced that the concept of community partnerships will work in practice. I might add, however, that it will take enormous amounts of time to get these partnerships working because, by virtue of using leaders of the private sector, you are necessarily involving very, very busy people.

I have listed the formation of community partnerships and the identification of proven or promising private sector initiative models as the two major goals of our task force. However, there are several other objectives that I need to mention briefly.

They include: working with the Nation's Governors to establish private sector initiative task forces at the State level to complement the work we have begun at the national level; encouraging a general increase in the level of both corporate and private contributions of money and time—and as you mentioned, the task force recently recommended that corporations double within 4 years the level of cash contributions to nonprofit organizations engaged in public service with a goal of tax-deductible contributions equaling at least 2 percent of pretax net income, and a doubling of individual giving in the same 4-year period, and I think you know individual giving constitutes some 90 percent of all philanthropy in this country; Third, we want to attempt to identify and eliminate governmental impediments to the involvement of the private sector in various activities; next, we hope to identify incentives for greater participation in private sector initiatives. We also want to provide recognition for outstanding achievements of private sector initiatives by encouraging mayors, Governors and the President to establish award programs, and Mr. Pauken referred to recent awards given out by the President for outstanding examples of voluntarism. Also, we want to work with national organizations to encourage the participation of their members in the formation of community partnerships. And finally, we hope to work closely with the departments and agencies of the Federal Government to assure that we participate in the formulation of policy that will involve the private sector in the solution of a problem. An example I would give there is in the consideration of the new business labor training program which may be offered as some substitute for CETA, in which the private sector will play a greater role in job training, and we hope as a task force, we will have an opportunity to comment on that.

You may have noted that there was no mention of a report to be written and submitted to the President. That is because our job is not to study a problem to death. Rather, we are an action task force that will serve as a catalyst for the achievement of a higher level of voluntarism and partnership. Although we have our work cut out for us, we have a tradition of voluntary private service that does not exist in other countries.

Indeed, private service today is a $150 billion annual enterprise, outstripping the combined 1982 budgets of eight Cabinet departments of the U.S. Government.

Senator DENTON. Mr. Mosbacher, that is a rather significant statement, if I am interpreting it properly. Are you saying that in the so-called private sector's service out there, there is 150 billion dollars worth of work being done?

Mr. MOSBACHER. Yes, sir. It is difficult to know exactly how that figure was arrived at, and I have seen other figures of $65 billion of volunteer time given and $40 billion of actual financial contributions, but the $150 billion figure was provided to our task force, and I will be happy to find the source of that for you.

The Internal Revenue Service lists more than 425,000 nonprofit organizations which provide public services with private resources in health care, transportation, job training, nutrition, care for the elderly, housing, and a host of other community concerns.

According to Independent Sector, more than 84 million Americans volunteered for such work in 1980. According to the ACTION Agency, half of them contributed more than 5 hours per person each week.

It is on this remarkable heritage of private service that the President and the task force wish to build. We want to encourage still greater private contributions of time and talent, as well as money, and to form a strong and creative partnership between America's private citizens and their public servants.

There are many ways in which Members of the U.S. Senate and House of Representatives might assist in this effort. They include: providing our task force with names of the leaders of various elements of the private sector in cities within their State or district who would be willing to participate in the creation of these community partnerships; second, help us identify models of proven or promising private sector initiatives in your State that deserve public recognition and replication elsewhere in the country; third, help us identify and eliminate governmental impediments to the private sector's dealing with various social and economic problems; and finally, help us identify and private new and reasonable governmental incentives to increase private sector participation in the treatment of local problems.

These are specific ways in which the Congress might advance the cause of private sector initiatives. But in order for private sector initiatives, or voluntarism, to be more than this year's fad or buzz word, we must begin to seek a more fundamental change in our thinking. In short, we must begin to consider the private sector alternative as an institutional form of problem solving that may one day rival the largesse of government in impact, if not resources.

If elected representatives in Congress will ask the simple question, "Is there a private sector means of solving this problem short of government or in concert with government", then we will be well on our way toward effecting that fundamental change in our thinking.

Thank you, and I would be happy to answer any questions.

Senator DENTON. Well, thank you, Mr. Mosbacher, and we will get right down to business here. You say you want certain things. I would like to respond today. I will ask you to take down a name.

He is a black priest out in Chicago. His name is Father Clements. He has a program called, "One Church, One Child". He is addressing this to the black community, because in AFDC, there is a disproportionate problem there. Yet, there is a tremendous compassion and sense of familial responsibility in the black community, I think, which transcends that in the white, because of their couple of centuries of experience in which the family was the only thing that helped them survive. In his church in Chicago, as a result of 1 sermon not 1 but 17 black children were adopted by his church alone. Now, I see that as the beginning of a forest fire, if it is handled properly—a forest fire of solution. I would like for you to contact that guy. We can give you the name of his church and so forth—I am not sure whether it is Holy Angels, or Our Lady of the Angels.

Mr. MOSBACHER. Fine. I would like to get in touch with him. That is the kind of model that we are looking for, and if we could get something like that happening in other parts of the country, we would be much further along.

Senator DENTON. We will be looking into the Mormon Church coming up soon. They have a program by which a certain percentage of crops, is given directly to the poor. And you know the cheese thing that we did recently. It was better than letting the cheese rot, but it probably cost more money to ship that cheese than it would have to buy it.

What impact do you believe the 1981 tax changes will have on charitable giving?

Mr. MOSBACHER. Well, I have heard that notwithstanding the increase in the percentage of pretax income that corporations can donate, from 5 to 10 percent, that the reduction in top tax rates for individuals and corporations will have a negative impact. Frankly, I think if this task force and the President, with the support of people interested in the whole subject of voluntarism, can create a mindset, or an environment in which people view private sector initiatives as a legitimate and proper way of dealing with our social and economic problems, then changes in the tax code will not adversely affect the level of giving. In fact, I still believe that the level of giving could be increased, and I might add with respect to corporations, they only constitute 10 percent of the total philanthropic giving in this country. And yet in the first 2 months we were in existence, I think task force members spent an inordinate amount of time convincing corporations that the whole social welfare burden was not going to be dumped in their laps. Once we convinced them that it was not, and that we wanted their help in a number of ways, including creating such things as employee volunteer programs where people could be farmed out to different volunteer efforts as well as encouraging them to loan executives to government, or loan people who have some technical expertise to a nonprofit group, then they began to respond more enthusiastically.

So, in answer to your question, I am not sure what the ultimate impact will be on giving of the change in the tax code, but I think if we create a national movement toward greater voluntarism, that we can enhance the level of giving.

Senator DENTON. How about the avenue of part-time work by young people and elderly people, at perhaps not the minimum

wage, in that they would not be as valuable in that particular job. I do not want to ad nauseum give the example of my mother, but I put her to work in a nonprofit organization for nothing. Prospects are such now that after 3 years of free work, we may be able to give her the expenses on her gas to get to and from work. But it changed her from a woman whose memory and health were beginning to fail badly to a healthy and valuable worker. When we offered her some salary, she said, "No, I am not worth it, but at least, maybe you can give me my gas money."

Is there any possibility of that, considering, say, the positions of the labor unions. They should be in on this. Why can't they see that something like that, without breaking the labor movement's valid representations, is in the national interest. Do you see any possibility of that?

Mr. MOSBACHER. Well, as you know, the AFL-CIO is represented on our task force, and I have found them thus far to be very cooperative and very interested in helping and participating, particularly in the community partnership. In terms of something like a subminimum wage for different categories of people who want to be involved in some social welfare activity, I am not aware of it being discussed. It would be interesting to see their reaction. As you know, they are concerned by any proposal that appears to be a departure from the minimum wage.

I am hoping, though, that there will be ways in which we can bring in people such as older Americans, who are one of our great underutilized resources, and younger people to work in these areas, because I think it does give the participant a tremendous feeling of worth, and it really can change someone's attitude enormously, as you indicated.

Senator DENTON. How would you generally characterize the progress made so far and the prospect for progress, considering that the 44 men on this are occupied intensely, or they would not have been chosen as representatives. How much can we expect of you in that task force?

Mr. MOSBACHER. One of the great concerns we had at the outset of this task force was the one of false expectations. I think there is an inclination on people's part, particularly those who are on the receiving end of some public program, when it looks like they are going to lose their benefits, to look for someone else who can pick up the slack. And we as a task force, I think, were very careful to avoid overpromising what we could do, and I do not want to overpromise what we can do here. In fact, what I would rather we do, as a policy, is underpromise and overdeliver. In other words, proceed quietly and really tell our story when we have results to point to, rather than simply blowing our own horn about what we intend to do.

But, having worked on these community partnerships which is the way in which we get the whole process going, I am enormously encouraged. I have found, in the cities that I am working in, an excellent response. There is a feeling that this is something we need to do. There is also a feeling that no one can really anticipate or measure accurately how much of the social welfare burden can be assumed by the private sector, and no one wants to suggest to the private sector that it has a responsibility to assume a percent-

age as such. As a consequence, we have avoided trying to attach figures to what commensurate reduction in the Federal budget will result from our activities. But, Senator, I think at the end of the year, if we as a task force, have helped create community partnerships in 10, 50, or 100 cities in this country, and we have leaders of the private sector, dealing with community problems, and matching the human and financial resources available to those problems for the first time, then I think we will have had an enormous impact. That is really the legacy that we hope will live on beyond our tenure as a task force.

Senator DENTON. Well, thank you very much, Mr. Mosbacher. In the interest of permitting proportionate testimony from the respective members of the rest of the witness list, I will submit the rest of my questions to you for answering in writing, if you will. I wish to thank you very much for your valuable testimony this morning and wish you the best of good fortune in your task.

Mr. MOSBACHER. Thank you, Senator.

Senator DENTON. We will now hear from a panel of community leaders who are committed to finding ways to solve social problems through voluntary service, and as I call their names, I will ask that each of them step forward and take a position at the table here.

Mr. John Putman is a Special Advisor on Handicapped Affairs at the Department of Housing and Urban Development, but he is testifying today as founder of the American Foundation for Voluntarism. Welcome to you, Mr. Putman. It is nice to have a fellow Alabamian up here.

Mr. Wayne Calloway, president and chief executive officer of Frito-Lay, Inc., located in Dallas, Tex. Welcome to you, Mr. Calloway. Your company was brought up in another context yesterday on the Betamax hearing. It was alleged that you guys are going to say that in view of the possibility that these machines can cut out the commercials, you are going to ask for a discount or something on your commercial advertising. I do not know whether you know about that or not.

Mr. CALLOWAY. Yes, I do.

Senator DENTON. Mr. Raymond Arnold, the grand exalted ruler of the Benevolent and Protective Order of Elks. Welcome to you, grand exalted ruler. We all respect the work over the generations of the Elks, and it has been my privilege to go to many of your lodges, for fun and constructive work.

I am going to ask you gentlemen to please summarize your testimony, as some of the others have, because I am going to have to go to the floor, most probably within the next hour, and I would prefer to be here personally while this is going on.

I will ask Mr. Putman if he would proceed with his opening statement.

STATEMENT OF JOHN L. PUTMAN, FOUNDER, THE AMERICAN FOUNDATION FOR VOLUNTARISM, WASHINGTON, D.C.; D. WAYNE CALLOWAY, PRESIDENT AND CHIEF EXECUTIVE OFFICER, FRITO-LAY, INC., DALLAS, TEX.; AND RAYMOND V. ARNOLD, CHIEF EXECUTIVE OFFICER, BENEVOLENT AND PROTECTIVE ORDER OF ELKS, JACKSON, MICH.

Mr. PUTMAN. Yes, Senator. I have prepared the paper which I will insert into the record for your committee, and would like to describe how the creation of the foundation came about, the American Foundation for Voluntarism. It is an outgrowth of another foundation, The American Foundation for the Disabled. It was my intention in coming to Washington to create a foundation which would go back to the local communities involved in leadership there dealing with the 36 million disabled citizens in our country.

In January, I spoke to the 10 outstanding young men of America program, sponsored by the U.S. Jaycees in Tulsa, Okla. I was fortunate in 1967 to be selected as one of the 10 young men, and they invite me back every 4 or 5 years to be the keynote speaker. Well, I had in front of me the leadership of the U.S. Jaycees, which comprises 290,000 young men from ages 18 to 36. I challenged them to go forth and to set up a public foundation in each location where they have over 7,500 locations throughout the nation. These Jaycee clubs may average from 40 young men to as high as 500 young men in some of the larger cities. I challenged them to set up the foundation with local autonomy, investigate the need assessment in their local areas, and then to proceed by establishing a board of directors for that public foundation.

The U.S. Jaycees accepted this challenge and within 2 weeks were in my office, meeting with some Government officials, some outstanding leaders in the foundation world itself, and we came to agreement that we would go forth and establish these. On June 28 and 29 of this year, in front of 15,000 Jaycee leaders at their national convention in Phoenix, Ariz., this program will be unveiled.

What we intend to do is to go forth and to select from each community where the Jaycees are located, members of a board of directors consisting of 12 organized religion, educational groups, labor, professional associations, handicapped, minority, local, State and Federal employees, educational, public and private—in other words, we are going to cross the community in almost every face with those 12 people. Underneath each of the 12 people will be a subcommittee of 12 selected by that person. In the case of organized religious groups, churches and associations, one person representing the 12 will sit on the board, but he will select those other 12, which will come from Protestant, Catholic, Jewish, and other organized religions, for they indeed have their fingers on the social problems of this country as much or more so than any other orgnized group of people. As we move next door, the civic organizations will be represented by one person for the civic community. A city and town the size of 50,000 to 100,000 people, there will be over 100 civic organizations in existence.

So therefore, we are crossing the community. We are allowing them to go forth and select their own programs that they want to go into. This total concept has been endorsed and approved by the

President's task force, I am happy to say. I met with them 2 weeks ago, and they are very interested in our program, interested enough that we are going to become partners for many of the things that we are attempting to do are quite similar, and I think it is going to be a very, very good working relationship.

Now, I mention this as the U.S. Jaycees, with their 290,000 people and the 75,000 public foundations which we will establish. But—and do not let this scare you, Senator—these volumes from our library indicate there are 27,000 associations and organizations in our country. These documents here are listed one after the other. And if we can do this with the U.S. Jaycees and initiate 7,500 public foundations involving essentially 1.8 million of our citizens in an organized attempt to work at the local level, I think we are well on the road. If we can indeed continue the work of the Foundation and get 10 more coming from this list of organizations here, 20 more, then we are off and running.

Senator, that is our proposed plan at this point in time.

[The prepared statement and responses to written questions submitted to Mr. Putman follow:]

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Prepared Statement of John S. Putman

The election of Ronald Reagan in 1980 represented a distinct mandate from the voters of this country to enact a functional realignment of programmatic obligations between federal, state, and local governments. Implicit in this mandate is a re-thinking of the role the private sector should and can assume in the fulfillment of social responsibilities.

With the declaration of New Federalism, much thought has been given to how government can best accentuate the efforts of the private sector. In order to better understand the ways in which government and the private sector can interact to successfully confront community problems, this Administration created the Private Sector Initiatives Task Force in October of 1981. This Task Force will investigate and publicize ways in which the private sector can work more effectively with the public sector and neighborhood organizations to make communities stronger socially and economically. When appropriate, Federal agencies and departments will be asked to work with the Task Force to assist in the development of innovative public-private working relationships.

Throughout the summer of 1981, I held meetings with leaders of business, government and voluntary organizations to determine how the private sector could better be utilized to meet the needs of the disabled citizenry. In September 1981, the American Foundation for the Disabled (AFD) was conceived to coordinate the efforts of the private sector in meeting the needs of the disabled.

It quickly became apparent that, in addition to the coordination of private sector activities on behalf of disabled individuals, other elements of the voluntary movement could be mobilized to meet community needs.

The American Foundation for Volunteerism (AFV) was established in October 1981 to develop and implement programs which will assist in the realization of the full potential of America's private sector in meeting community needs. The AFV operates as a public foundation whose purpose is to provide support to community voluntary programs to assist needy projects throughout the United States. Specifically, the AFV will be responsible for the creation of autonomous public foundations at the local level which would provide needed services to that community. The AFV would be a substantive example of President Reagan's commitment to expand America's voluntary sector.

The concept of establishing autonomous foundations at the local level is advantageous for three key reasons. First, each local foundation would be made up of leaders within that community, already associated with established service organizations, who have a vested interest in the well being of that community. Each foundation would have a Board of Directors consisting of representatives from twelve action areas within that community. Each member of the Board would then appoint a twelve member advisory panel from within that community to work with the local foundation on project development and implementation. The representative nature of social services is augmented with control centered at the community level.

Second, because each public foundation consists of local representatives, projects adopted by the Board of Directors are geared for the specific needs of that community and may be altered at any point to better meet those needs. Efficient and fair provisions of services is thus enhanced by the autonomous character of the local foundation.

Third, the American Foundation for Volunteerism will work through existing national associations, establishing foundations within and between associations to better meet local needs through voluntary means. The existence of some 27,000 national associations will assure an almost limitless source of organized groups through which foundations could be created.

One such example of this concept is to work with the U. S. Jaycees to form foundations within communities with local Jaycee clubs in existence.

On January 16, 1982, as a keynote speaker to the Congress of America's Ten Outstanding Young Men, I issued a challenge to the U. S. Jaycees, a national service organization, calling for their commitment to President Reagan's volunteerism effort by establishing a public foundation in each community where a Jaycee club exists. The Jaycees have accepted this challenge. (See attached letter from Sam Willits).

A meeting was held in Washington, D.C., on January 31, 1982, with Dr. June Koch, Deputy Under Secretary for Intergovernmental Relations at HUD, Jaycee National President Gene Honn, Jaycee Executive Vice President Samuel Willits, Wil Rose, President of the National Heritage Foundation, and Micheal Castine of President Reagan's Task Force on Private Sector Initiatives. Following this meeting, the U.S. Jaycees committed the full resources of their 7500 local clubs and 290,000 membership to this effort.

Subsequent to the endorsement by the Jaycees, five out of the Ten Outstanding Young Men designees for 1982 have become members of the Board of Directors for the AFV. These board members are: Senator Dan Quayle, H. Lee Atwater, Special Assistant to President Reagan for

Political Affairs, Merrill Osmond, President of Osmond Enterprises, Inc., Bob Anderson, founder and publisher of Runner's World magazine, and Lee Roy Selmon, All-Pro football player for the Tampa Bay Buccaneers. Another member of the Board, Roger Porter, was a TOYM designee of 1981 and currently serves as Special Assistant to President Reagan for Policy Development. Other board members include: Senator Jeremiah Denton, Gene Horn of the Jaycees, Thurmon Boykin, Newman and Hermanson Company, and McNeil Stokes, Stokes and Shapiro law firm.

On the basis of this commitment, the U. S. Jaycees began working with the Reagan Administration and the AFV to outline a plan which would implement this program of establishing 7500 local foundations.

This implementation plan consists of essentially four steps. First, a guideline manual on how to establish and manage public foundations at the local level would be developed and distributed by the U.S. Jaycees. This manual would demonstrate how the local Jaycee club would go into their community and recruit representatives from twelve key actions areas (i.e., business, labor, housing, religion, service organizations, government, etc.) and how these representatives, along with their twelve task forces, would work together to develop and implement needed projects within their community. This manual would also focus on how funds can be raised at the local level to support these projects.

Second, a formal announcement of the Jaycee Local Foundation Project would be made at the Jaycee National Convention in Phoenix, Arizona on June 28, 1982. A complete issue of FUTURE Magazine, the official publication of the U.S. Jaycees, would be devoted to this nationwide effort.

Third, following this announcement, the U.S. Jaycees would conduct five to eight regional training seminars throughout the United States to familiarize local chapter representatives on how to establish and maintain local foundations. Selected travel to local chapters would then be conducted to insure that each foundation gets off to a successful start.

Fourth, annual reviews of each local foundation would be conducted by the U.S. Jaycees and the AFV will be responsible for the establishment of a nationwide awards program to recognize outstanding accomplishments in volunteerism at the local, state and national levels. A Presidential award will be given for individual, group and foundations achievements that are national in scope. A Governor's award will be presented in each of the fifty states for accomplishments by individuals, groups and foundations in each state. A Mayor's award will be given in each community for significant voluntary programs at the local level.

In order to facilitate this effort, technical assistance from the federal government to produce the guideline manual is needed. The organization of the U.S. Jaycees is such that they do not have reserve funds available for the implementation of new programs and must seek outside sponsorships. The Jaycees have submitted a budget which outlines the items which need to be supplemented through technical assistance from the federal government, as well as indicating the resources which they have committed to this effort.

It has been estimated that $307,500 will be required to implement the U.S. Jaycees Local Foundation Project. Of this amount, the Jaycees are requesting that $122,000 be provided through technical assistance

from the federal government. A copy of the complete budget request has been included at the end of this discussion.

President Reagan has given increased priority to private sector initiatives. In a speech given before the National Alliance of Businessmen on October 5, 1981, Reagan declared, "Volunteerism is an essential part of our plan to given government back to the people." He then announced the creation of a Presidential Task Force on Private Sector Initiatives, to be headed by Armco, Inc. Chairman William Verity. The purpose of the Task Force is to promote private sector leadership and responsibility for solving public needs, and to recommend ways of fostering greater public-private partnerships.

On April 7, 1982, I met with Jay Moorhead, Special Assistant to President Reagan for Private Sector Initatives, to discuss ways in which the Administration could assist in the Jaycee Local Foundation Project. A meeting was scheduled between myself and Chairman William Verity. On April 8, 1982, the Jaycee Local Foundation Project was presented to Chairman Verity and a select group of seven other members of the Task Force. It was my impression that the proposal was well received by the Task Force. As a result of this meeting, discussion has been left open as to how to best utilize the local foundation concept and the AFV.

One conclusion is clear. The future of any community depends upon the actions of both the public and private sectors. Individuals and firms make voluntary decisions to stay or leave, to invest or disinvest, and the magnitude of private sector resources in the aggregate is many times that of the private sector. Therefore, the involvement of the private sector is essential in order to stabilize communities. Partnerships between the public and private sectors, such as represented by the U.S. Jaycee Local Foundation Project, can be particularly effective in achieving desired outcomes. The AFV seeks your support in this most important private sector initiatives.

Local Foundations Program
Tentative Budget

I. Technical Assistance from the Federal Government

A. Guideline Manual on Foundation Operation $ 30,000

(1) Description

This booklet will discuss how to set up a foundation and how a foundation operates once established. Legal and administrative responsibilities will be presented, as well as a broad outline on the method endorsed by the American Foundation of Volunteerism. This booklet will consist of 30-35 pages, with a total distribution of 10,000 copies. The cost would be approximately $2 per booklet.

(2) Purpose

This booklet is needed to explain specific approaches that may be used to establish and maintain a functional foundation. It will be the key reference source of local Jaycee chapters in the operation of day-to-day activities.

(3) Technical Assistance Requested

- printing costs and man-hours for production of guidelines manual
- technical writer to help draft manual (approximately 80 man-hours required)

B. Mail and postage $ 75,000

(1) Description

10,000 individualized letters to chapter and state Jaycee presidents from President Ronald Reagan - 10,000 individualized letters to mayors in cities with Jaycee chapters from Administration representatives - 50,000 individualized letters to mayors in cities without Jaycee chapters from Administration representatives.

(2) Purpose

Personalized letters are a necessary ingredient to getting the program off to a good start. These letters would demonstrate the support of this administration for this effort in volunteerism.

(3) Technical Assistance Requested

printing costs and man-hours to produce 70,000 individualized letters at $1.07 per letter.

C. Video-tape copies $ 7,500

(1) Description

A video-tape will be made with President Reagan addressing the United States Jaycees and encouraging them to actively endorse this program. Copies will be sent out to the 500 Jaycee Regional Offices to be shared with local chapters in that region.

(2) Purpose

The video-tape message is an important way to use minimum time for the most benefit. This action will provide local Jaycees with a promotional item to use in the development of their local foundations.

(3) Technical Assistance Requested

Man-hours and duplicating cost to produce 500 copies of President Reagan's message at $12 per copy.

D. Travel $ 10,000

(1) Description

Travel to regional and district Jaycee offices are a necessary part of the training program to familiarize Jaycee chapters and other officials of the program.

(2) Purpose

To conduct training seminars at 5-8 locations throughout the United States and to meet with Jaycee national officers as needed for programmatic changes.

(3) Technical Assistance Requested

Travel funds

TOTAL ASSISTANCE REQUESTED FROM THE FEDERAL GOVERNMENT $ 122,500

II. Support Funds from the United States Jaycees

A. U.S. Jaycees Standard Program $ 75,000

(1) Description

The Jaycees will allocate funds for two staff officers, a secretary, and for promotional materials to implement this program from the national office.

(2) Purpose

These people are the basic ingredients of all Jaycee programs, and operate the day-to-day management of the program.

B. Staff Travel $ 20,000

(1) Description

Travel to training seminars held at 5-8 locations throughout the United States. Travel to local chapters to work with regional and district directors in getting each foundation off to a successful start.

(2) Purpose

Travel to state and regional meetings is an essential part of this program. Jaycee staff officers are familiar with what's happening in the field. Without this travel, it will be difficult to monitor and promote the program and seeing its effect in local communities.

C. FUTURE Magazine $ 90,000

(1) Description

A complete issue of FUTURE Magazine, the official publication of The U.S. Jaycees, devoted to local foundations.

(2) Purpose

A complete issue devoted to local foundations will reach each and every Jaycee in the United States. In this way, the grass roots of our organization will be thoroughly informed about this program. This type of thorough explanation will make efforts in this program even more fruitful.

TOTAL PROGRAM SUPPORT FROM JAYCEES $ 500,000

THE UNITED STATES JAYCEES

April 13, 1982

Mr. Jay Morehead
Special Assistant to the President
Office of Private Sector Initiative
Room 134
The White House
Washington, D.C. 20500

Dear Mr. Morehead:

By now you have received a letter from the President of The U.S. Jaycees, Gene Monn, endorsing the Foundation program as presented to you by John Putman, Assistant Deputy Secretary, Department of Housing and Urban Development. My purpose in writing this letter is to explain the procedure that we will use to implement this policy as established by our Board of Directors in March, 1982.

As Chief Administrative Officer of The U.S. Jaycees corporation, it is my responsibility to direct the eighty employees of our national headquarters in implementing any policies and programs established by the Board of Directors of The U.S. Jaycees. This Foundation program was unanimously passed by the Board of Directors after the presentation by our President. I have assigned two staff officers and secretarial assistance to see that this program is implemented. They will be traveling to Washington, D.C., to meet with Mr. Putman and his assistants to draft this program and, ultimately, to send it to our seven thousand Jaycee chapters.

To add emphasis to this program as a means of influencing local chapters' decisions to participate, we not only will outline this program in all of our major publications (which includes a bimonthly publication, FUTURE Magazine, which is sent to each individual member; our local officers' publication, LINK, which is sent monthly; and our state officers' publication, "The Concept," which is sent monthly), but we will provide training for our state officers who are responsible for the performance of our local chapters.

I have enclosed for you a sample of a kit that we send to local chapters to encourage them to participate in a national program. This particular kit is one we run in conjunction with our association with Muscular Dystrophy. Through the efforts of this program, which is not of the magnitude of the proposed Foundation program, we raise annually $2 million for Muscular Dystrophy. As you

can see, this kit is very thorough and professional, and one that produces great results.

This Foundation program, borne from a discussion between Mr. Putman and President Gene Honn is one that the Jaycees will take to heart and, in my estimation, produce extraordinary results. We are philosophically attuned with President Reagan's philosophy of redirecting private sector initiative and I can assure you that we will plunge forward with this program with all of our resources.

It is our intention to have this program planned, developed, and produced in its entirety in time to have a grand unveiling at our national convention in Phoenix, Arizona, on June 28-July 1, 1982. While the time is short, we have no doubt that we can complete it. As an example of our expedience, I have also enclosed our "Enough is Enough" program, which supported President Reagan's economic recovery program, that we produced for distribution to each of our chapters in less than two weeks. Our only obstacle at this point is the availability of funds to operate this program. Our organization is such that we do not have reserve funds available for the implementation of new programs and must seek outside sponsorships. To this point, Mr. Putman has worked as the liaison to secure the necessary funding. The U.S. Jaycees would appreciate any assistance you can lend Mr. Putman in this endeavor.

The U.S. Jaycees look forward to this rare opportunity to have an impact on America. Our members are not challenged by the problems facing this country but are challenged to provide solutions for these problems. If you have any questions, please do not hesitate to call me at 918-584-2481 at your convenience.

Sincerely,

Sam Willits
Executive Vice President

SW:pjs

Enclosures

cc: Frank Pace, National Executive Service Corporation
C. William Verity, Armco, Inc.
✓John Putman, Assistant Deputy Secretary, HUD
Gene Honn, The U.S. Jaycees

THE AMERICAN FOUNDATION FOR VOLUNTEERISM PROGRAM PROPOSAL 1982

Introduction

What government cannot do for the people, the people must do for themselves.

For more than four decades, our government has worked to eliminate various social and economic ills facing this and other industrialized nations. Billions of dollars have been spent in the cause of social justice.

To some degree, government has succeeded, but to a greater degree, it has not. In the last ten years alone unemployment, inflation and the needs of disabled Americans have dramatically increased, threatening the very foundations of our society. Government has now become part of the problem, not the solution. What happened? What went wrong?

The truth is that we have lost our sense of community - the spirit of caring and sharing. Our social and economic problems are basically spiritual - not material. We must find an alternate solution to the "government-complex." A new solution based on what people can do for people.

This is why the American Foundation for Volunteerism (AFV) was established - to promote, protect and extend the voluntary efforts of business, and civic organizations to build a stronger America. Indeed,

we must begin a dynamic new effort in the history of mankind to develop a new leadership capable of addressing social and economic issues with community-based solutions.

In the years to come, government must take a decreasing role in the provision of social services. Therefore, it is our obligation to increase the role of the voluntary sector. In this effort, we can demonstrate to the world what a free people living in a free land can accomplish.

Again and again history has demonstrated that when government provides public assistance for any purpose, substantial salaries and other massive administrative expenses must be paid before one dollar reaches the targeted concern. However, when a voluntary non-profit organization (NPO) addresses a social concern, much of the administrative overhead is reduced by the voluntary, personal and material contributions of the members of the organization, all of whom are dedicated to reducing expenses. When the need for voluntary action diminishes the social cost can diminish proportionately. Market principles are still in effect. Whereas, government programs impede this natural process and tend to expand and perpetuate indefinitely regardless of the "true need."

The Disability Project which follows is only one of many projects envisioned to promote voluntary initiatives and local foundation development. "Great challenges make great communities", is the motto of the American Foundation for Volunteerism. Every community has the ability to met human needs. Our goal is to give community leaders the knowledge of what their resources are and how to use them.

Our task is to find a better way to help American communities. This is why the American Foundation for Volunteerism now seeks your support.

DISABILITY

PROJECT OVERVIEW

The American Foundation for Volunteerism seeks to bridge the gap between rehabilitation services for the disabled and gainful employment of the disabled.

At least 13.3 percent of the U.S. workforce is disabled, however, approximately 56 percent of these individuals are able and willing to work. Unfortunately, only half as many of these able and willing individuals are employed when compared to the total number of available U.S. workers.

Although the federal government spends more than 30 billion dollars per year on approximately 128 services to the disabled, unemployment among these Americans remains a chronic problem.

Many disabled citizens and supporters had hoped that passage of the Rehabilitation Act of 1973 would begin a new era in the "disability rights" movement. Under Title V of that legislation, advocates hoped to gain greater independence for the disabled. Yet legislation has proven inadequate, and many disabled citizens remain in a state of dependence, rather than independence. What went wrong? The simple truth is that legislation can mandate <u>what</u> needs to be done, but often does not provide a <u>means</u> to do it.

From the beginning of the post-World War II era, the federal government has spent hundreds of billions of dollars on rehabilitative services to make "clients" "job ready". Still, unemployment of the disabled is a national problem, costing the taxpayer more and more each year. Moreover, when a disabled worker fails to return to the job, insurance rates are pushed up for all workers. Lost tax revenues, massive government entitlement services, and soaring insurance rates all add up to a national failure. Why? Because a gap exists - between rehabilitation services and the employer - the real employer - in the private sector.

Vocational rehabilitation professionals complain that they cannot find employers to hire the disabled, even though employed disabled workers show better safety records; are harder working; and are more dependable. Employers complain that they cannot find disabled workers with appropriate skills. The American Foundation for Volunteerism bridges this gap by matching the skills of the disabled with the needs of industry and thus promotes the greater freedom and dignity of the disabled individuals.

Who Are the Disabled?

Rehabilitation Act of 1973 defines a "disabled person" as an individual who:

- has a physical or mental impairment which substantially limits one of more of his or her major life activities;
- has a record of such impairment; or

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- is regarded by others as having such an impairment.

The White House Conference on Handicapped Individuals estimated that the total population of disabled individuals is 36,000,000 people, and of these the Veterans Administration reports that 2.3 million persons receive veterans compensation for disabilities. Other statistics show that:

- disable persons have less schooling than the non-disabled
- disabled persons have lower incomes
- more disabled persons live in poverty
- more disabled persons are heads of households and
- disabled persons hold proportionally fewer professional, technical and managerial jobs.

What Is The Government Doing?

The most visible government initiative is the President's Committee on Employment of the Handicapped (PCEH) works "to build a climate of acceptance." It maintains a small staff of 35 persons which does not identify employment opportunities for specific persons. PCEH spends 1.7 million dollars a year to "build a climate of acceptance."

The other mammoth agencies, the Veterans Administration and Vocational Rehabilitation must concentrate their several billion dollars on helping the individual to become "job-ready", while State Employment Office have demonstrated little concern or effectiveness in placement of disabled persons.

Over the past several years many disability organizations have endeavored to use government to require rather than inspire the employer to provide job opportunities to the disabled under the provisions of Rehabilitation Act and other amended civil rights legislation. We believe this approach is fundamentally flawed. We know that employed disabled persons have proven themselves in the workplace and are a demonstrated asset. Dependable productivity is what business wants, and the disabled workers can meet this demand.

Why Not A Different Approach?

The American Foundation for Volunteerism is a real alternative to further government involvement which can ignite a new era of independence for the disabled, helping more of them to become taxpayers who can contribute their abilities to our national life.

As a non-profit corporation, the American Foundation for Volunteerism will conduct a three year demonstration program to re-direct services to the private sector. The hard work of employing the disabled requires a methodology which identifies job opportunities in the private sector and quickly matches these opportunities with qualified disabled workers.

National Coordination of Employment

The research staff of the American Foundation for Voluntarism will conduct the following activities to determine the current and future job market:

1. Analysis

Information on all occupations will be collected from various sources, both public and private. Some data concerning the kinds of jobs which now exist in the national job market, and where they are located is available from governmental agencies. More specific information on certain occupations is available from private and semi-public sources. This mass of information needs to be collected and summarized in order to provide a coherent picture of:

a. what jobs exist today;
b. where they are located;
c. where the need for people to fill jobs exceed the availability of people qualified or willing to take those jobs.

2. Forecasting

The kinds and locations of jobs in the future (5 to 10 years) job market will be forecast. These forecasts will be based on industrial development trends, developing economic forces and upcoming technological changes. In addition to these elements,

the skills and geographic distribution of the future labor force will be forecast by extrapolating from current workforce distribution data, population trends, numbers of students currently in various educational institution and trade schools, and the types of training being given in these institutions.

3. Matching

A comparison of the current and future job market to the skills and geographic distribution of the current and future workforce will provide a map of those type of jobs and geographic areas where there will be an unfulfilled need for employees. The map would also show where there will be too few jobs for the available workforce. Thus the opportunities can be identified and forecast.

4. The Skills of the Handicapped

Data on the types of skills and education possessed by handicapped individuals, including their geographic distribution, will be collected and summarized. Next, an analysis of these skills in comparison to the requirements for the forecast job opportunities will be performed. This analysis will show what additional experience, training or other activities will be needed, if any, to move handicapped individuals into the job opportunities.

5. Results

The results of this series of data collection, analysis, and comparison will be used to form the basis for a plan of action designed to dramatically improve the employment of handicapped individuals. We would be able to know where the job opportunities and unfulfilled needs are, where they will be in the next 5 or 10 years, and determine how the handicapped could move to fill those needs. This would be at the focus of our effort to help the handicapped obtain those critical opportunities to become highly productive citizens.

Foundation Development

The development of state and local Foundations for Volunteerism is a priority objective of the American Foundation for Volunteerism. State and local Foundations can take a leadership role in the field of employment by:

- Surveying communities to determine what types of jobs are available and which of these are likely to be in demand among disabled individuals;

- Working with other organizations of persons with disabilities to establish referral systems that serve the needs of community coordinators and others who may be involved in special hiring efforts;

- Providing follow-up assistance to employers after placements have been made;

- Developing training programs for coordinators, employers (possible topics: major disabilities, reasonable accommodation, the concept of job-relatedness, and modification of jobs and work sites);

- Arranging for coordinators and employers to tour rehabilitation centers, sheltered workshops, campus facilities for disabled students, and centers for independent living;

- Giving recognition (awards, certificates, etc.) to businesses and individuals who actively participate in employment programs for the disabled;

- Helping to educate community leaders about placement programs and sharing information about specific opportunities;

- Involving placement coordinators in the activities of rehabilitation agencies and organizations of rehabilitation professionals.

The American Foundation for Volunteerism will provide technical assistance to these State Foundations to advance employment of the disabled in all of the above areas.

OTHER INITIATIVES

The American Foundation for Volunteerism is prepared to conduct additional activities to facilitate employment of the disabled:

- Disability Clearinghouse: up-to-date educational materials on the nature of disabling conditions and aspects of employment of the disabled.

- How-to Materials: designed specifically for disabled job applicants. Effective resume writing and job-hunting tips and guidance.

- Annual Awards: a recognition program for individuals who have contributed to the advancement of employment of the disabled.

- Leadership Conference: designed to bring together disabled individuals have "made it" and disabled individuals who are seeking employment.

- Speakers Bureau: outstanding individuals who can provide knowledge and insight into employment of the disabled.

- Speakers Briefs: materials designed to promote employment of the disabled through up-to-date, relevant facts.

ORGANIZATION

The American Foundation for Volunteerism is governed by a Board of Directors which is representative of business, government and voluntary sector leadership. The Board meets annually to review major policy initiatives and to provide advice and guidance to the Executive Committee on major goals and objectives for the coming year.

In addition to the Board of Directors, advisory committees are also established to provide advice on particular programmatic issues. These committees are composed of distinguished citizens with specific knowledge in specialized fields affecting employment of the disabled.

A full financial disclosure will be made by the American Foundation for Volunteerism, and an independent audit will be conducted annually.

CONCLUSION

The need is real, and time is now to make a difference for America's disabled citizens. Through cooperation with government business, and other non-profit organizations, the American Foundation for Volunteerism can conduct a historic three-year demonstration of what voluntary action can do, and save the government, millions, if not billions of dollars each year.

Recently U.S. News and World Report noted the real opportunities in the U.S. job market:

Millions of jobs and entire occupations that didn't exist when man landed on the moon are now begging for takers -

- Three openings exist for every available satellite engineer and communications technician.

- For each genetic scientist exploring new ways to splice genes and create new life forms, five research assistants are needed.

- Engineers are sought to blend robots into production lines. The problem: Colleges are not turning out enough engineers with the training that businesses need.

- The shortage of computer-program designers is worsening. Salaries reaching $90,000 a year are luring the best computer teachers away from the classroom and into industry.

These are just a few problems created by the explosion of new technology, which experts predict will account for most of the 15 million new jobs expected to be created in the U.S. by 1990.

Industry's challenge will be to transform this technology into new products and services. To do that, people will be needed to perform tasks that were scarcely imagined only a few years ago."

Many of these jobs can and will be filled by the disabled. These individuals can prove that disability need not stop productivity or independence. We must begin to reverse the trend of dependence on government assistance, but we must act now to establish a independent workforce planning system which is efficient, effective and targeted to those who have the most need.

The American Foundation for Volunteerism can provide that system, but its success depends on supporters, like you, who are willing to invest in the disabled - to invest in America.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410

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OFFICE OF THE SECRETARY

MAY 14 1982 IN REPLY REFER TO

Senator Jeremiah Denton
United States Senate
Washington, D.C. 20510

Dear Senator Denton:

I would like to thank you for giving me the opportunity to express my views on Voluntarism before the Subcommittee on Aging, Family and Human Services. I hope that my testimony was of assistance to the Subcommittee.

As per your request, I have enclosed my answers to your questions, for inclusion in the printed transcript.

Again, thank you for your invitation to the hearing I look forward to future conversations on this issue.

Sincerely,

John L. Putman
Special Advisor
to the Deputy Under Secretary
for Intergovernmental Relations

Enclosure

(1) Are there any other organizations like the Jaycees to which the American Foundation for Volunteerism (AFV) concept could be applied?

According to the Gale Research Company, which publishes the Encyclopedia of Associations, there are approximately 27,000 organizations to which the American Foundation for Volunteerism concept could be applied. The size and structure of these organizations do vary, but, for the most part, the local foundation program could be adapted to the needs of these organizations. Of course, as an autonomous local foundation, each organization would function within its own set of guidelines and goals. Once established, the local foundation would be free to create and implement projects which it has deemed important to the community that it resides in.

(2) Your American Foundation for Volunteerism proposal sounds very similar to the President's Task Force plan to develop community partnerships. How will the AFV coordinate with the Task Force?

The goals of the President's Task Force for Private Sector Initiatives and the American Foundation for Volunteerism are very similar. Both organizations seek to encourage the private sector to take a more active role in solving community problems. Both organizations seek to establish functioning relationships between the private sector and local government to meet community needs. And, both organizations will give national and official recognition to models of successful private initiative and community partnership, and promote their adoption in communities facing similar challenges.

In meeting these common goals, the AFV will work very closely with Bill Verity, Chairman of the Task Force, and Jay Moorhead, Special Advisor to the President for Private Sector Initiatives to maximize the resources of both groups. The Task Force will assist the AFV by arranging for President Reagan to provide letters and videotapes to local Jaycee clubs encouraging their participation. The Task Force will also assist by allowing the AFV to utilize existing materials open to the Task Force.

Senator DENTON. Thank you very much, Mr. Putman. In reading your written material here, I have been much impressed with the comprehensiveness of it, and I hope that the other programs that spring up in the private sector have that element of comprehensiveness that yours has. It certainly looks remarkably well thought out and workable, and I would like to congratulate you for that, as well as for the other capacity in which you serve.

I will submit questions for the record to this panel, since your testimony is the most important thing this morning.

I will ask Mr. Wayne Calloway to give his statement.

Mr. CALLOWAY. Thank you, Senator Denton. I have also submitted a written statement, which you may put in the record if you so desire.

In trying to decide how my testimony could be most useful to the deliberations of this committee, I thought, instead of simply listing Frito-Lay's volunteer activities, that I should try to outline our philosophic approach to voluntarism. Most of all, I would like to explain why a company like Frito-Lay is interested in voluntarism in the first place, and share with you some of our early results.

Just by way of background, Frito-Lay is a very successful, very large company. We have 25,000 employees, 40 manufacturing plants, and sales location in every community in the United States. Our volume is about $2 billion each year.

We run a very efficient, highly motivated operation, and we are proud of our achievements. Our approach is to be action oriented and find the problem and go out and do something about it.

A little over 2 years ago, we began to recognize that there were certain conflicting and apparently unalterable elements existing in our society—elements that were worthy of our attention as a company.

The first of those is that a corporation is fully linked to its external environment. In order for our business to survive and to flourish, our communities must also survive and flourish.

Second, we believe that communities are in trouble all over America. Education has deteriorated, particularly in the public school system; crime is on the rise; cities are in trouble, many of them bankrupt; health and welfare costs are skyrocketing. Even the arts, which may be needed now more than ever, are priced out of sight.

Third, we do not believe we can depend on the Federal Government to solve all our social and economic problems. They have been throwing money at problems for over 20 years, and I firmly believe we are in worse shape now than we were before.

The inevitable conclusion from these three elements, as we see it: as a modern, can-do corporation, we must do more to help solve society's problems. At Frito-Lay, our question was: How?

The most frequently heard answer is money, corporate philanthropy. We are constantly told there is a burning need for corporations to spend more money on social issues. We agreed that we should do more, and our corporate contributions have climbed steadily in the last few years. But, as we looked at this issue more closely, we saw that money was not really the answer, for several reasons.

First of all, money does not solve the problem. It may ease some of the symptoms, but corporate philanthropy is essentially a short-term, piecemeal approach to broad, long-range problems.

Second, the amounts of money required would be enormous, beyond the means of any corporation in this country.

Finally, there are limits on how much money any corporation can morally and legally give to civic and charitable organzations. If corporations have so much extra money that they can give huge grants to social programs, shouldn't they use that money for other purposes—for example, to lower prices and help fight inflation, or invest in more plant and equipment to create new jobs?

So, if money is not the corporate answer, what is? What can Frito-Lay give to the community that does not weaken our company or hurt our consumers, yet truly helps our society?

Two years ago, we reached what should have been an obvious conclusion: Our people. Our employees have skill, drive, intelligence, technical expertise, managerial skills, and superb problem-solving capabilities. If they can sell potato chips, they should be able to sell a new transportation system for Dallas, or an urban development program for Jackson, Miss.

As we began to put voluntarism into practice, we discovered a bonus: Not only could our employees help the community, but they could actually improve themselves through the volunteer activity. That, in turn, makes them better at their jobs at Frito-Lay. The company might give up a few hours of employee time, but we gain more in management development and training than we give up. Our employees come back to their jobs more enthusiastic, more energetic, and more talented than when they left them. It was a kind of "magic money": the more we gave up, the better off we were as a company.

So we began. The results? Well, sometimes they can be a little startling. Take one recent Saturday afternoon when Joe McCann, our vice president for public affairs in Dallas, received an urgent phone call from Max Wright, our plant manager in Charlotte, N.C. The phone call had nothing to do with potato chips. Max was calling because a mainland China ballet troupe had lost its bookings in Atlanta. Now, you have to wonder about that. Why would a plant manager for a snack food company in North Carolina call a public relations man in Dallas about Chinese ballet dancers in Atlanta?

Well, the answer is voluntarism. Max Wright is president of "Dance: Charlotte," a major arts organization in his community. Joe McCann is on the board of the Dallas Ballet. It seems the Chinese dance troupe had lost its bookings in a couple of cities, which threatened to cancel the whole tour, including their performance in Charlotte.

Max attacked the problem with typical Frito-Lay zeal. He spent the weekend on the phone, calling around the country to book new performances for the Chinese dance group. Max came back to work Monday with a new knowledge of planning and logistics, some nationwide contacts, a broader education, a sense of commitment to the world around him, and above all, a new understanding of salesmanship, which is what business and Frito-Lay is all about.

The voluntarism program at Frito-Lay has no name. We do not keep score, and we do not force people to volunteer. We lead by ex-

ample. And I feel it must start with me. I personally spend at least 20 percent of my time on volunteer activities. That does not mean I only give 80 percent of my time to my job. Unfortunately, like you and most public officials, I find myself giving 100 percent of my time to my job, another 100 percent to volunteer work, and another 100 percent to my family. To give you an idea, I spend more than 15 hours a week as chairman of a special Dallas task force on the economic advancement of minorities and women.

I am a director of the Dallas Citizens' Council, so I work on mass transit and urban development. I am active as a trustee of a school in Dallas. In fact, last weekend, I spent over 20 hours on that job.

I am also head of a major fundraising drive for Wake Forest University, working to raise at least $17 million for that school.

I also travel extensively, giving speeches to businessmen, asking them to get involved in solving our society's problems. Last week, for example, I spoke in Canton, Ohio, and Winston-Salem, N.C., and I am involved, personally and through Frito-Lay, in a wide variety of civic and charitable groups.

Now, I do not say all this to be immodest about my activities, but to point out our philosophy. That is, I cannot expect my employees to get involved unless I set the example.

Today, we consider voluntarism so important at Frito-Lay that we have made a commitment: Every single senior manager at Frito-Lay will be active in at least one community organization by the end of 1982. Because this is a truly voluntary effort, the burden is on the company to locate the kinds of projects that will interest and involve these very busy people. We have a special coordinator assigned to this effort, and we are already well on our way.

In my written testimony, I have outlined a number of examples of Frito-Lay's volunteer activities. In light of our time constraints here, I would like to focus on just two areas of activity, education and the arts, and what we do for both of these in our headquarters city of Dallas.

In the area of education, our Dallas employees are active on both ends of the spectrum. At the grassroots level, hundreds of our Dallas employees have worked in the adopt-a-school program in the past couple of years. Through this program, which is coordinated by our employee relations department, our people have "adopted" the Calliet School in Dallas. This is a kindergarten-through-sixth-grade schools, and perfectly mixed triracially, between Hispanics, blacks, and whites. They work as tutors and teachers' aides there, providing the personal attention children often do not get in our school system.

At the other end of the spectrum, one of our headquarters executives, Leonard Clegg, our vice president of labor relations, serves as president of the school board in Dallas, where he offers his insight and managerial skill to educational policymaking and administration in Dallas.

Many, many Frito-Lay employees have taken leadership roles in the arts in Dallas. For example, Brad Todd, our director of marketing, heads up the marketing committee of the Dallas Symphony Association. Brad sold Frito-Lay on cosponsoring a special summer concert series in Dallas called "Starfest". We offered discount tickets on the backs of our potato chip and corn chip bags and helped

sell about 25,000 tickets for the Starfest series. We also provided half-price tickets for Frito-Lay employees and introduced 700 of them to the arts in Dallas last summer.

Brad and other Frito-Lay executives have contributed greatly to the arts. But last year, we came up with what we call an "arts sampler" for our Dallas employees. On one special evening, about 350 employees and their families watched performances by the opera, the symphony, the Black Dance Theatre of Dallas, the Dallas Theater Center, and the Classical Guitar Society. As part of this program, we offered special discount tickets for full performances of each of these organizations, which could be paid for on the payroll deduction plan. I have attached a program from that event to give you a better idea of our approach.

In my written testimony, I outline some of the benefits of this program and go on to report specific examples of Frito-Lay voluntarism in action.

Because of time constraints, let me just say that we are excited about voluntarism at Frito-Lay. So far, it has worked, and if you happen to be in Dallas this weekend, you can see it in action. We have about 200 employees who have entered a 30-kilometer walkathon for the March of Dimes. We pledged 50 cents for each kilometer walked, which should be about $4,000, but the employees are doing the work.

I believe that if, as a Nation, we can put voluntarism to work, we can help solve many of our Nation's problems. Of course, it will not solve everything. I realize that voluntarism by itself will not cure cancer or stop unemployment, but neither will throwing Federal funds at the problems.

Ultimately, we will cure our social ills the same way we attack all of our big problems: by breaking them down into smaller, more manageable components and working on them directly in our local communities, one at a time.

As a businessman, I am convinced: by working to make our communities better, we also make Frito-Lay better. We make it easier to attract and keep the top employees we need and, as volunteers, we enrich our own lives and expand our knowledge and capabilities.

Thank you very much, Senator Denton.

Senator DENTON. Thank you, Mr. Calloway. That is certainly an admirable set of endeavors that Frito-Lay is involved in, particularly the making available of the time to its employees, something which not only serves others, but I guess serves them and serves you, as a company. It is an example of what other businesses can do, and many I know are doing similar things. On the other hand, we have businesses who are in the tradition of what Charles Dickens wrote about, so they are just like people, they vary one from another. I hope we can all turn in the direction that you have.

Thank you again.

Mr. Arnold, would you offer your testimony, please, sir?

Mr. ARNOLD. Thank you, Senator Denton.

Inasmuch as we have a written report, I will just summarize some of the items and maybe paraphrase and talk about some of the other things that do not appear, possibly, in the report.

The Elks organization as a fraternal order is the largest domestic fraternal organization in the United States. It is 113 years old, and out of many of its purposes, there are two that are in line with what we are talking about today. One of its purposes, set 113 years ago, was with reference to inculcating the principle of charity and to quicken the spirit of American patriotism. And as a result, over these 113 years, the Elks have worked and gravitated in an area where they are able to effectuate the purposes for which we are organized.

Now, the Elks—and I want to tell a little bit about what we do, and then I want to tell about some of the problems. We have, over the years, donated out of our own ranks, which number 1.6 million members—and we have 2,267 lodges scattered throughout the United States in various communities—we have taken from our members by their contributions $382 million and given it to various works in the communities that are involved. Last year, the sum was $19.8 million, and this year, even in the face of an economy that probably should not warrant it, it will probably be $4 to $5 million higher than it was last year, which will be the largest increase we have ever had from one year to the next, and will be the second largest percentage increase we have ever had.

I have taken a year off and been traveling at the rate of about 3,000 miles each week, visiting lodges throughout the United States, talking to thousands and thousands of Elk members on a national, State, and local level, and talking to them about the work that they are doing. Now, even though we are a national organization, we are decentralized to the extent that we ask our lodges to do those things in their community that they feel that there is a need in that particular community. Now, as a result, because of that decentralization on the charitable work that the lodges do, they are particularly adapted to working in the community and finding the needs that there are in the community, to be able to see the needs and to try to find a resolution to fulfill the needs.

As an example, on a national level when the Elks perceived the need way back, even in World War I, with reference to the need of field hospitals, they outfitted, actually, the first two field hospitals in World War I. When they perceived the need of the veteran returning home and not having a hospital to go to, those who were maimed and hurt, they built a hospital and gave it to the Congress, and that was our first veterans' hospital.

So, as on a national level, we have perceived certain needs, we have done something about it. On a State level, at the present time, like in the State of Tennessee, even though it is a small Elk State, the Elks there perceived the need to have more nurses in the State than they had about 3 years ago. As a result, they took contributions from the Elks in the State to provide scholarships. It started out at $23,000, and then last year $40,000, and next year it will be $70,000, providing for scholarships to take care of that need which they perceived.

We allow these 2,265 local lodges to find out what the needs are of the communities. Now we have a problem there. In many communities, the lodge must go out and actually ask the community, "What is it you need? Where can we help?" Or, if they have very perceptive individuals, they can find this out by digging for it.

Now, in some areas, the cities or the communities will relate to them what it is that they need or want. Let me give you just a couple of examples.

In Gulfport, Miss., on a small scale, the city needed some playground equipment. The lodge perceived the need, and it fulfilled the need by buying $20,000 worth of playground equipment for the city.

In Hollister, because of the cutback in Government funds available for summer school—Hollister, Calif.—there was not going to be a summer school, and then the lodge perceived the need, realized the necessity of a summer school, and did what was necessary to provide the funding for a summer school, and then with what funds were left over, turned it over to the athletic department.

Now, there are many, many examples, and by that, I mean that there are probably 20,000 or 30,000 different examples that could be used, because we leave it to each lodge on the local level to make that determination, and as a result, they make the determination of what is necessary in that community. It may be a small item, like in Carmichael, of purchasing some rescue equipment for the city, or it may be a large item, like in Santa Maria, Calif., of turning $211,000 over to the community to take care of some community projects for the children.

But whatever it is, it is done in the community at a local level. I am not naive enough to believe that the Elks, even for what we are doing in the local communities, can take care of all the needs that are required. But we are able to take care of some of them. We are one organization, but there are many, many organizations. And if we put all of them together, and with the enthusiasm that I have seen—and I might mention that again, even in the face of an economy that would not want it, the enthusiasm and the people who would go out and donate their money, moneys that would increase this year from last year—it indicates that the people are there, ready, willing, and able, but they must be given some direction. They must be given some direction.

It was mentioned earlier about the retirees. Last year, I happened to be with the American Bowling Congress as the president of the congress, and we ran a number of studies for the bulge of the population and the elderly or the retirees that is going through at the present time. It was found that the elderly wanted to be useful, they wanted companionship, and they wanted something to do—be it bowling or what—but on the studies we ran, it indicated they basically wanted to be useful. And I think that we have just a number of people out there, ready, willing, and able to help. They want to help, and they are just looking for somebody to say, "Here is what we want you to do."

Thank you.

Senator DENTON. Thank you, Mr. Arnold. Your testimony, as well as that of Mr. Putman and Mr. Calloway, is greatly appreciated, and we will have questions which we will submit to each of you and request that you answer them within 2 weeks.

Thank you again for coming this morning.

[The prepared statement of Mr. Arnold along with questions and answers follow:]

PREPARED STATEMENT BY RAYMOND V. ARNOLD

Senator Denton, Senators, I wish to express my thanks and those of the 1.6 million Elks for this opportunity to discuss the significant voluntary contributions of one element of the private sector.

The Benevolent and Protective Order of Elks is the largest domestic fraternal order in the United States. We embrace the principles of God and country, justice and fidelity. Our Order has long believed in a responsibility to help those who are less fortunate. Since the turn of the century, when we began keeping records, our members have contributed over $380 million for charitable purposes. These moneys were raised exclusively through member donations. We do not solicit public contributions for any of our efforts. In World War One the Elks financed and equipped the first two base hospitals to be sent into the field in France. In 1918 the Elks' offer to construct and equip a 700-bed hospital exclusively for wounded and disabled veterans was gratefully accepted by the government. Three years later that hospital was turned over to the U.S. government. It became the first Veterans Hospital in our country. Our service to hospitalized veterans has become an Elks tradition. We provide materials for physical therapy and conduct programs for the general welfare of those who have served our country and are now hospitalized.

When President Reagan addressed the nation on September 24, he asked for an increased voluntary commitment

by the private sector to help resolve our nation's financial difficulties. I responded on behalf of our Order. I asked each of our 48 state associations to appeal to the members in their state for an increase in their dollar contributions to our many charitable programs -- programs within their communities that could be addressed by local lodge members with both dollar contributions and voluntary hourly service.

From a purely practical standpoint, I realized at the time that there may well be limiting factors which could severely effect our efforts. Because our membership consists of both Democrats and Republicans, I had some concern that the movement might be viewed from a purely political position. I was also concerned that our membership may already be spread too thin by the many charitable programs the members are encouraged to support. Last year alone, our membership contributed $19.8 million through the Order for a variety of charitable programs, from college scholarships for needy deserving youngsters, to children's hospitals, from at-home physical therapy programs for cerebral palsy victims to the complete funding of state eye banks.

I won't take your time today with a litany of all our various projects. They are documented in the exhibits I have provided. But I feared we may not be able to sustain even the efforts made last year, because of the difficult economic times we all face. Many members in my home state

of Michigan and the neighboring states of Indiana and Ohio have been forced to take demits because they lost their jobs. Finally, because of our national membership loss for only the second time in 42 years, there was a very real possibility that the remaining members could not support an increase in contributions and voluntary service.

I began a 50-state tour of our local lodges to determine for myself what was being done and what realistically could be done in the area of increased voluntary service by our membership. To date, 26 states are projecting increases in donations averaging about 13 percent as a direct response to the President's plea. Based on this information and other information I gathered on my tour, I project conservatively that the Elks will increase their monetary donations this year by four to five million dollars. That will be, by far, the largest annual dollar increase in the history of the Order, surpassing the record, set last year, of a $2.1 million increase. It will be the largest percentage increase since 1943 when the Order increased its contributions $700 thousand to $3,753,000. But those are cold figures that fail to tell the real story -- the story of these volunteers and the people they help.

I recently returned from a state convention in Tennessee. That state is relatively small with respect to the number of members. North Dakota, for example, has almost twice as many members as Tennessee. In addition, Tennessee is financially

depressed and, because of its rural nature, suffers from lack of medical services except in the major cities. Two years ago the Elks in Tennessee provided $25,000 in scholarships for any would-be nurse who would practice in Tennessee. This year they have increased that figure to $43,000 and they are planning for an increase next year to $70,000. This despite the economic conditions and despite the fact that our lodges there are facing little, if any, growth in membership. However, as the President has suggested, the Elks in Tennessee have identified a need within their area and have taken steps to address that need. This is not an isolated incident.

I have seen volunteerism at state levels throughout the country. I have seen it at local levels. It is just as forceful and significant in predominantly Democratic areas as it is in Republican communities. And perhaps most significantly, I have seen it in very small communities that are often one industry oriented and more severely affected by adverse economic conditions.

On a recent trip to Gulfport, Mississippi, I was privileged to be present when the local lodge turned over $20,000 the members had raised for the purchase of recreational equipment for the city's park system. While this may seem insignificant in the face of national economic problems, it was important to that community and to the children of that community. Frequently in situations such

as the nation is facing today, it is the children who quietly suffer the most.

This past summer in Hollister, California, the school system was forced to shut down, eliminating summer school programs because of lack of funds. The local Elks lodge raised sufficient funds among its membership to keep the school system open for the children of that community. Funds left over were donated to the school system's physical education program, which was also being cut back. Our members across the country are seeking and finding similar activities to benefit their communities, the citizens of those communities and of other communities. I have just learned that our lodge in Clovis, California, without being asked, undertook a massive city-wide collection of food and clothing for the flood victims in Fort Wayne, Indiana.

The New York state Elks have begun a program to reach and help veterans of the Viet Nam War. As you are aware, many of those veterans were psychologically afflicted and have had a difficult time assimilating back into society. The Elks in New York state are trying to resolve that situation. They have taken it upon themselves to expand the Veterans Administration's Outreach Program. They are opening their lodges to those veterans for rap sessions, and encouraging local psychologists and psychiatrists

to donate their time to participate and assist these men.

This program was begun two years ago in our lodge in Plattsburg, New York. The response from both the veterans and the local medical community has been overwhelming. The program has been so successful that it is now spreading to other lodges in the state. The Outreach Program itself has been restricted to major metropolitan areas as you know. Lack of funds has created a problem that prohibits them from expanding into more rural areas. The Elks of New York hope to resolve that problem at least in their state.

In the far reaches of Alaska, our lodge in Kodiak recently conducted a health fair project providing free medical, dental and eye examinations for some 1,100 indigent members of the community. The cost of the program was $7,500 plus 1,800 volunteer hours contributed by our members there. The Seward, Alaska lodge provided $5,600 in a special project this year directed to aid indigent senior citizens of that community; and the Aberdeen, Washington lodge provided $3,760 in medical aid for indigent children. This is all above and beyond their normal contributions to our various state and national charities.

These are just a few diverse examples of what volunteers can -- and we believe should -- do. I could continue with examples that would keep us here for the rest of the week. But the bottom line is that volunteerism is a viable alternative in this country to government spending in some areas.

And, it is very contagious. I know, I have seen it and I have been caught up in the spirit. As a young boy in a very poor family, I was the beneficiary of volunteer assistance. I am an Elk today as one means I have of paying back those good people who helped me. And I have heard that echoed by hundreds of our members across the country.

Gentlemen, we are one of many fraternal, civic and service organizations who have been providing assistance to our fellow man. It is obvious from the response that I have seen that the people of this country are prepared to respond to a call for increased voluntary effort. But a call itself is not sufficient to mobilize a community into action. A need must be demonstrated and the means to correct that need must be simple and made clear before a response can be expected. I would like to congratulate the President's Task Force on the part it has played in documenting -- and supporting -- the concept of volunteerism. I would like to encourage continued leadership in this effort. For a "call to action" without clear-cut goals and support will not be heard by many, and it is very important that this call be heeded.

Once again, I would like to thank the committee and you, Senator Denton, for the opportunity to speak here today on a subject that is very near and dear to me. It is part of my life and a founding principle of the B.P.O.E. Thank you.

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GRAND LODGE
Benevolent and Protective
ORDER OF ELKS
UNITED STATES OF AMERICA

RAYMOND V. ARNOLD
Grand Exalted Ruler

Box 1967
JACKSON, MICHIGAN 49204

May 10, 1982

The Honorable Jeremiah Denton
United States Senator
Committee on Labor and Human Resources
Washington, D.C. 20510

Dear Senator Denton:

I wish to thank you for the opportunity to testify on a most critical issue to our Nation's future. Thank you also for your thoughtful inquiries upon my remarks. I would like to respond to your questions in this letter.

With regard to your first question "What percentage of dollars collected by the Elks were for administrative purposes," I would like first to clarify the question a bit because I believe it is critical to the issue at hand. The 19.8 million dollars contributed to charitable endeavors by our Order last year represent monies donated by members of the Order only. We do not solicit public donations for our good works.

None of the 19.8 million dollars was applied to administrative costs. Because we are a volunteer organization in the true sense of the word administrative costs on any project we undertake are negligible. Because such costs are minimal (much less than 1%) and because we want to insure every penny our members contribute goes directly to the cause for which it is solicited, what administrative costs that are incurred in the process are covered through the lodges' general administrative fund.

That is not to say that the recipient or its representative group may have some administrative costs. We do support The Red Cross, United Way and like groups. However our lodges and state associations frequently specify the funds being contributed not be applied to administrative costs. Such as the case, for example, in Pennsylvania. The Elks in that State provide all the

funds ($592,000 in 1981) for a state-wide in-home therapy and training program for cerebral palsy victims. The program is run through United Cerebral Palsy in Pennsylvania but the Elks have specified that their total donations must go exclusively for the program which would include the salaries and expenses of twenty-one speciality nurses and specially equipped vehicles. As that program has been identified as a necessity, were it not for the Elks the funding for the program would be the burden of the State.

Your second question is a bit more difficult. When I made the statement that I believe voluntarism is a viable alternative in this country to government spending in some areas, I did not have a specific federal initiative in mind because it is often difficult to draw direct correlations between government programs and volunteer action. However I believe that elements of Federal programs can be reduced within increased private sector initiative. Health care is an area in particular that I believe should be addressed. I submit, as an example of what can be done, The Kansas Elks Training Center for the Handicapped (KETCH). I am enclosing their recently published brochure and annual report for 1981. I believe this is one of the finest examples to be found of the public and private sector working in partnership to address a problem which is a burden on local, state and federal budgets.

Allow me to briefly review the accomplishments of this organization. This program has taken handicapped people, whose employment potentials are severely restricted if not non-existent, trained them in the course of providing them with productive employment until they reach a skill level compatible with industry standards, and then assisted the rehabiliated client in obtaining and retaining competitive employment in the work force. It is significant to note that 80% of KETCH placed clients are still working after 60 days at an average starting wage of $4.29 an hour.

The organization operates on the philosophy that everyone in a democratic society has an inherent right to the opportunity to earn a living and make a contribution to society. The organization's purpose is to equip its clients to achieve that opportunity.

In effect it has converted people from a government dependent status to a contributing taxpayer status, giving them the opportunity to become a productive member of society, while sustaining its own existence by producing goods and services for sale in a competitive market.

While the program has benefited from government funds, the organization is currently in the process of weaning itself off its dependence on public funds with an aggressive and successful campaign for private donors support. Our twenty-five thousand member Elks in Kansas contributed 100 thousand dollars to KETCH last year and produced the Kansas National Charity Horse Show which raised an additional 37 thousand dollars for the program. They also assisted in the formation of the Kansas Foundation for the Handicapped last year to provide perpetual support for KETCH.

I can think of no better example of a program that is providing assistance to a significant sector of our populace, returning them to a productive, gainfully employed status, removing them from the ranks of government dependence status to the ranks of taxpayer. Imagine what it would mean to federal, state and local budgets if similar programs were instituted throughout the country.

If you would like further information on this program, I would encourage you to contact Mr. William R. (Bob) Lawrence, the Executive Director of KETCH at (316) 265-2603.

Senator, thank you again for the opportunity to participate in this important task that you have undertaken. If I can be of any further assistance, please feel free to call on me.

Respectfully yours,

Raymond V. Arnold

Raymond V. Arnold
Grand Exalted Ruler

RVA:gah
Enclosures (2)

Senator DENTON. The last word is being reserved for the thinkers. We have a number of analytical organizations, think tanks, represented here this morning, and they have done considerable work on this subject.

As I call each of the names, I hope the individual will come forward and place himself at the table. These organizations have all been studying the capacity for business and community organizations to respond to the call for increased volunteer service.

We have Dr. Stuart Butler, consultant to the Heritage Foundation and senior fellow at the National Center for Neighborhood Enterprise. Welcome, Dr. Butler.

We also have Dr. Jack Meyer, who holds the positions of resident fellow in economics and director of the Center for Health Policy Research at the American Enterprise Institute for Public Policy Research. Welcome, Dr. Meyer.

And, from the advanced study program at the Brookings Institution, Dr. Bruce L. R. Smith—welcome to you, Dr. Smith—and Mr. Nelson Rosenbaum, with the Center for Responsive Governance. Welcome, Mr. Rosenbaum.

Dr. Meyer, we have had you before. I appreciate your coming again before this subcommittee.

I appreciate the fact that each of you has sacrificed valuable time to appear before us this morning. I will ask Dr. Butler to lead off.

STATEMENT OF DR. STUART M. BUTLER, POLICY ANALYST, THE HERITAGE FOUNDATION, AND SENIOR FELLOW, NATIONAL CENTER FOR NEIGHBORHOOD ENTERPRISE, WASHINGTON, D.C.; DR. JACK A. MEYER, RESIDENT FELLOW IN ECONOMICS AND DIRECTOR, CENTER FOR HEALTH POLICY RESEARCH, AMERICAN ENTERPRISE INSTITUTE FOR PUBLIC POLICY RESEARCH, WASHINGTON, D.C.; DR. BRUCE L. R. SMITH, THE BROOKINGS INSTITUTION, WASHINGTON, D.C.; AND NELSON M. ROSENBAUM, CENTER FOR RESPONSIVE GOVERNANCE, WASHINGTON, D.C.

Dr. BUTLER. Thank you very much, Mr. Chairman.

On the theory that doers usually have more information to impart than thinkers, I shall keep my remarks fairly brief and just comment on the statement that I did provide to you.

I think it has been mentioned earlier this morning that there is great concern in the voluntary sector, that we may be facing an enormous gap of activity which we are now requesting the private sector to fill. In the major paper I provided to the committee, I did provide some analysis of that argument, questioning some of the bases of that so-called gap, and so I will not comment on that, other than to say that I think I would suspect that some of the returns now coming in would tend to suggest that the reductions in the tax rates under the 1981 changes have not led to a significant reduction in charitable contributions; quite the reverse. And it may well be that in the next 2 or 3 years, as additional tax cuts take place, we will see that the tax cuts have not led to a drying up of contributions to charity.

I would just like to make some comments on what I see as some assumptions that underlie some of the discussions taking place about the nature of the voluntary sector and then suggest some specific improvements that could be made to encourage a more active voluntary sector.

I would take issue with the assumption—and I think Tom Pauken made the same point—that professional services are necessarily superior to those provided by amateurs or volunteers. I have been working with neighborhood organizations in the last year, and I think it is very clear in those cases, as in many others, that the amateur on the scene is often far more effective at providing services than the professional from outside. That is very noticeable in city neighborhoods, and I think, generally.

It is also wrong to assume that Government-funded services have necessarily supplemented voluntary activities. We have found in many cases that the expansion of Government programs has merely led to people being paid to do things that previously others had done voluntarily. In other words, we have not seen quite such an expansion of services and value for money as we might have expected. I think, in that regard, another unfortunate development has been what one might call the professionalization of human services, with the result that many of the standards that have been imposed, particularly licensing requirements and occupational requirements, have tended to freeze out a lot of genuinely voluntary activity. Again, I noticed in the city areas that we find that many organizations that are willing and able to provide day care centers, counseling and other services find that restrictions that are supposedly to insure standards have the effect of inhibiting their activities.

I think the final assumption I would challenge is the argument that we should be trying to encourage the corporate sector to be the bankroll of the voluntary sector. I would disagree, both with respect to your statement and the statement made by the representative of the White House Task Force on Private Sector Initiatives, that we should move toward trying to suggest specific guidelines or targets in terms of contributions by corporations. I think it is a wrong way to go. I think it is wrong to suggest to corporations that their role should be to collect from themselves a kind of self-imposed tax, which is then provided to voluntary organizations. We should look much more at the activities of companies like Control Data, that have examined genuine partnerships, where both sides gain, creating a better climate for business activity, in return for training programs and so forth by the corporation. I think there are tremendous possibilities in that field, and we should be looking more at those than looking at the issue as pure altruism.

There are certain suggestions that I can make, based on my experience over the last several years in the voluntary area—things that could improve the capacity of the voluntary sector. I think, clearly, that examining more closely the kinds of partnerships I just mentioned with regard to Control Data would be a very important way to go. Some States have encouraged this process, particularly Missouri and Pennsylvania, by the passage of so-called neighborhood assistance programs, where corporations are provided with credits against State tax for contributions and technical assistance

given to organizations that are delivering human services. That is something we should encourage other States to look at, and the Federal Government might consider that as a tax incentive.

The regulatory field is one that is often overlooked, and we should be examining this very carefully. As I have mentioned, there are many occupational and other kinds of restrictions at the State and local levels that do inhibit voluntary organizations and inhibit churches and other existing organizations from branching into new service areas.

I think we have also seen in the last several years a tendency for foundations to be less inclined to support creative and new organizations. This is in large part due to many new regulations emanating from the IRS, with regard to reporting and other activities, that encourage foundations to support organizations with good track records—the more stable, conservative kinds of organizations, rather than trying to get new organizations off the ground. I think that the Federal Government would be wise to look at these regulations more carefully and to try and encourage foundations to take more risks, if you like, in their funding.

With regard to the regulations, we do find that organizations that are seeking to raise funds, particularly across State lines, have met mounting problems in reporting requirements from States, and that has made fundraising very expensive and complicated. The States and the Federal Government should look very carefully at that, whether what we are doing by having such regulations is inhibiting the ability of new organizations to develop.

Finally, we should look at some of the obstacles to voluntary organizations creating profitmaking subsidiaries or selling their skills. The rules dealing with income from subsidiaries, particularly wholly owned subsidiaries, are really quite onerous. The tax penalties for contributions from wholly owned subsidiaries are actually more severe than for a corporation merely giving money to a voluntary organization. We are seeing many voluntary organizations seeking to find ways of selling their skills, and developing subsidiaries, and if we have on the books restrictions that inhibit that practice, it is going to stifle the ability of the voluntary sector to stabilize its income base.

Finally, I would say that there are enormous possibilities in the human services field for contracts between voluntary organizations and government at the city level. We find many cases of this—the management of public housing projects, day care centers, and similar kinds of activities. They are beginning to happen, but it would be very helpful if the Federal Government, and particularly the White House task force, gave the lead in trying to identify these opportunities and encouraged the greater use of nonprofit organizations as providers of services to government.

I will end at that point and take any questions you may have.

[The prepared statement of Mr. Butler follows:]

Statement by Dr. Stuart M. Butler

The views I am about to present are my own, and do not necessarily represent those of the National Center for Neighborhood Enterprise or The Heritage Foundation.

A great deal of concern has been expressed in recent months regarding the ramifications of the President's policy of reducing federal outlays for non-profit human service providers, and the associated call for greater activity by the voluntary sector. It has been argued that the combined effect of the budget cuts and tax relief enacted in 1981 will be to create a "gap" in funding for essential services. According to a study conducted by the Urban Institute and sponsored by the Independenct Sector, the 1981 budget reductions will "cost" the non-profit sector (for all charitable services) approximately $27 billion between 1981 and 1984. In addition, a related Urban Institute study maintains that changes in personal tax rates will cause an $18 billion cutback in expected donations over the same period, due to an increase in the after-tax cost of contributions.

The orthodox view appears to be that such a gap cannot conceivably be met by the voluntary sector -- either through increased volunteer work or additional support from foundations and corporations. The assumption is, therefore, that the beneficiaries of human services face a bleak future.

This is not the place to discuss the general strategy behind the Economic Recovery Tax Act and the budget reductions now

underway. But, as Senator Durenburger has reminded the Independent Sector, disadvantaged citizens and the poor stand to gain much more from a healthy economy than from increased federal expenditures which weaken the productive economy. So if the Administration is successful in bringing about sustained economic growth, there will be less pressure of demand for services.

I have made available for the Subcommittee a study I conducted for The Heritage Foundation on the impact of the 1981 changes. In that study, I challenge the findings of the Urban Institute analysis and dispute its assumptions. In particular, I argue that there are many reasons to believe that individual contributions to human service providers will not fall as a result of the tax cuts. Figures released recently by the United Way support this contention. 1981 showed the biggest jump in contributions in twenty-five years, despite the recession and the tax cut. Even in states hit hardest by the recession, contributions increased over the previous year, indicating that Americans dig into their pockets when they see a need, not a tax break.

Yet the whole debate over the future of the voluntary sector in the wake of recent government funding changes rests on some doubtful premises. If we are to strengthen the sector, it is necessary to examine these before making concrete recommendations.

It seems to be taken as axiomatic that services provided by well-paid professionals are necessarily superior to those delivered

by local volunteers. So it is concluded that a cutback in federal support for non-profit providers will either have to be balanced by an increase in individual and corporate contributions, or the beneficiaries will suffer a reduction in quality.

Work undertaken by the National Center for Neighborhood Enterprise, the American Enterprise Institute, and other organizations would dispute that assumption. We find that people in distressed areas turn far more readily to "amateur" service institutions, such as family, church and neighborhood groups than to the professional. The reasons for this include the fact that structured professional organizations do not tend to have the same level of flexibility and creativity as local volunteer groups, and they do not have the same credibility in the neighborhood -- they are outsiders.

An associated and commonly held assumption refers to the quantity of services, rather than the quality. It is taken for granted that the growth of government funded services supplemented services available from privately funded and operated organizations. This assumption is also open to dispute. In many cases, the expansion of government programs in the 1960s and 1970s merely substituted paid for volunteer effort and public for private support. Furthermore, the increasing use of paid professionals has led to pressure from those professionals for government to set standards and license service activities. At best this trend can be seen as an attempt to improve quality -- although as

already noted, this is not necessarily the result. At worst, it may be seen as an attempt by a profession to restrict entry. Whatever the motive, the result has been that cities, states and the federal government have enacted laws and regulations which inhibit the operations of creative service organizations. We find, in other words, that the growth in government funded services has tended to stifle the growth of unorthodox and creative organizations which often cater best to the unique conditions of a neighborhood.

A third premise which must be challenged is that the corporate world has an obligation to be charitable in the strictest sense of the word -- that is that business has a duty to contribute to non-profit organizations without regard to corporate benefit. This is a disturbing assumption which seems to underpin much of the recent discussion regarding the capacity of the business community to "fill the gap." Even the White House Task Force on Private Sector Initiatives has suggested specific contributions targets which should be met by corporations -- as though businesses should pay some self-imposed tax to support non-profit organizations.

The idea that paper entities such as corporations can or should feel charitable obligations is a dubious one. Individuals feel such duties, and the stockholders of a corporation are able to support organizations as they see fit. When corporations make a "charitable" contribution, it should make sound business sense.

A company in a depressed city, for instance, can assist revitalization efforts out of enlightened self-interest, just as other companies may support college research projects, health clinics and education. Moreover, some companies such as Control Data have begun to develop some very creative partnerships between themselves and voluntary organizations, where the skills and resources of each partner are used for mutual benefit.

If we are to be successful in expanding voluntary sector services for the disadvantaged, we should therefore attempt to foster creative partnerships between the business world and voluntary associations. We should also eliminate regulations which impede the formation and growth of voluntary service providers. Furthermore, we should encourage voluntary organizations to seek ways of turning their skills into marketable services, in addition to charitable ones.

Certain mechanisms would help to achieve these objectives:

Improved Partnerships

The National Center for Neighborhood Enterprise and other organizations have identified various services that neighborhood groups can offer the business community in return for financial support or in-kind services. In depressed communities, for example, certain groups have provided security, employee screening and orientation services, day care centers and other services which improve the environment for business. By examining partner-

ships such as these, the business community can help to stregthen the voluntary sector while enhancing its own profitability. Not only is this good business, but partnerships where both sides gain are always more durable than one-sided assistance.

Partnerships between corporations and voluntary organizations may also be encouraged by the adoption of state programs such as the neighborhood assistance program introduced in Missouri and Pennsylvania. Under these programs, corporations receive a credit against state taxes for contributions made to non-profit groups providing certain services, or engaged in approved projects, within distressed communities. This mechanism has helped to stimulate neighborhood organizations and has led to the delivery of services involving lower costs for state government.

Regulation

Government at the federal, state and local levels can do much to stimulate the growth of voluntary organizations by sensible reductions in red tape. Occupational licensing, zoning and other regulations could be streamlined to facilitate community based groups and to reduce their operational costs. In addition, state regulations covering fundraising have become steadily more onerous in recent years, making it difficult for new groups to expand.

Federal law and regulations have also tended to dissuade corporate and private foundations from supporting new or unorthodox

organizations -- precisely the groups that seem to respond best to the needs of the community. Concern over the practices of foundations led to a number of changes over the last fifteen years designed to ensure greater accountability among foundations. But the pendulum has swung too far. Foundations are now much less inclined to support organizations without a proven track record, or they impose excessively tight restrictions on beneficiaries to satisfy IRS reporting requirements. Sensible relief from certain regulations would enable foundations to adopt a more important role in the creation of new groups.

Selling Skills

During the last year there has been a large increase in the number of non-profit organizations establishing profit-making subsidiaries. Housing rehabilitation groups have created construction companies; hospitals have opened diet clinics. For well-established and major institutions, the technicalities of such a change usually involve few problems. For a small organization in a distressed community they can be an enormous obstacle. Corporations and local governments could provide valuable expertise to assist non-profit organizations wishing to develop profitable services. The federal government could also help in an important way. When a subsidiary creates a profitable business unrelated to the purposes of the non-profit parent, income contributed to the parent receives a far less favorable tax treatment than is the case if a donation is made by a completely separate corpora-

tion. Equal tax treatment can be justified on the grounds that profit-making firms can only compete fairly if they face the same tax conditions. But to provide less tax relief for contributions made by profitable subsidiaries is unreasonable and discourages financial independence.

Local government can stimulate the creation of profit-making subsidiaries by contracting with organizations for municipal services. Several cities, for instance, have already allowed tenant-owned management companies to operate public housing projects, and the income has been used to finance services within the projects. These cities have generally been pleased with the quality and cost of these management services provided, and the income has allowed an increased in human services. Job training, security, day care, counselling and similar services can benefit both sides in the same way.

The Heritage Foundation Backgrounder

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November 2, 1981

VOLUNTARISM AND THE REAGAN ECONOMIC PROGRAM

INTRODUCTION

In recent speeches, President Reagan has stressed the voluntary sector as a crucial element in his strategy to alter the balance between the government and the people in American society. "Voluntarism is an essential part of our plan to give government back to the people," Mr. Reagan declared October 5 before the National Alliance of Business. He then announced the formation of a Presidential Task Force on Private Sector Initiatives, to be headed by Armco Inc. chairman William Verity, which will examine ways of stimulating voluntarism.

Considerable attention has been given to the feasibility of employing the voluntary sector as an alternative source of funding to offset the 1981 budget cuts in welfare and other programs, but Reagan has made it clear that he views the sector as far more than a new source of finance for reduced federal programs. It is a key part of the Administration's policy of moving the provision of services as close as possible to their intended recipients, so that local needs and sources of assistance can be blended. Strengthening the "mediating structures" between government and the individual -- voluntary associations, churches, foundations, neighborhood groups, etc. -- is seen as important in reinvigorating the bonds of community. The growth of the voluntary sector is also viewed by the Administration as necessary to the effective rebuilding of notions of social obligation and "good neighborliness" -- fundamental features of American society that have been eroded by the growth of government.

Many representatives of the voluntary sector, however, seem to doubt that it can respond fully to its challenge and opportunity. Some analysts have argued, for instance, that tax law changes in 1969, together with the explosion of state and federal regulations concerning fundraising and other charitable activities,

Note: Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

have caused stagnation in the sector. If this trend is not reversed, it will be impossible for philanthropy to reach its full potential.[1] Others go even further, by maintaining that at the very time the Reagan Administration is advocating an expansion of voluntarism, its 1981 tax and budget package actually will discourage charitable giving. A controversial Urban Institute study commissioned by the Independent Sector, an umbrella group of non-profit organizations, maintains that the budget and tax portions of the 1981 Economic Recovery Program will cost charities at least $45 billion during the 1981-1984 period, compared with what would have been available without the changes.[2] Independent Sector President Brian O'Connell claims that the Reagan Administration has delivered the voluntary sector a:

> triple whammy....Federal program support has already been cut, contributions are now projected to go down, and all this at a time when everyone is looking to these same organizations to expand their services.

Yet the assumptions on which the Urban Institute study are based are open to serious challenge. When the assumptions are examined carefully, it becomes evident that much of the extreme pessimism of the charitable organizations is unwarranted. While there are tax and regulatory obstacles to philanthropy which could be removed, there are also good reasons to suppose that the "gap" left by the budget cuts is smaller than the critics believe, and that charitable giving will expand more rapidly than is generally expected.

The size and nature of the impending "gap," and the ability of the voluntary sector to fill it, is a critical issue in the Administration's policy of encouraging voluntarism. The Urban Institute study is the only comprehensive examination to date of this issue, and it has widely been used as the definitive analysis of the impact of the Economic Recovery Act. It is necessary, therefore, to scrutinize the study carefully.

Yet there is another important element in the debate on voluntarism -- an element that is as much philosophical as practical in nature. Increasingly, the argument is raised that foundations and corporations should expand considerably their charitable activities to alleviate the burden on other segments of philan-

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1 See Stuart Butler, Philanthropy in America (Washington, D.C.: The Heritage Foundation, 1980); Bruce Hopkins, Charity Under Siege: Government Regulations of Fundraising (New York: John Wiley and Sons, 1980).

2 Lester Salamon and Alan Abramson, The Federal Government and the Nonprofit Sector: Implications of the Reagan Budget Proposals (Washington, D.C.: The Urban Institute, May 1981); Charles Clotfelter and Lester Salamon, The Federal Government and the Nonprofit Sector: The Implications of the 1981 Tax on Individual Charitable Giving (Washington, D.C.: The Urban Institute, August 1981).

thropy. Not only is there doubt that foundations and corporations will increase their contributions significantly, given the existing regulations and tax law, but it is by no means obvious that corporations should be major sponsors of charity. A discussion of the appropriate role of corporations and foundations in philanthropy must therefore accompany an assessment of the outlook for voluntarism.

PART I: CAN THE GAP BE FILLED?

The Budget Cuts

Although the Urban Institute analysis of the budget changes was completed before the budget bill passed Congress, the difference between the Administration's proposals and the final outcome are not large enough to materially affect the study's claim that charitable non-profit organizations will lose approximately $27 billion in government funding during 1981-1984. This would constitute almost one-third of their direct government support. In addition, the study claims, reductions in federal outlays in areas of interest to non-profit groups will result in pressure on such groups to increase their public services. For the non-profit organizations to finance existing services previously funded by government -- without regard to new demands -- private giving allegedly would have to increase at three times the rate of previous years.

The Independent Sector and others who cite these conclusions as proof that an impossible task faces the voluntary sector seem to ignore an important caveat in the study:

> This report makes no effort to assess the merits of the budget proposals advanced by the current Administration, either with respect to particular proposals or with respect to the package as a whole. The focus of attention is on what the proposals are and what they will mean for non-profit organizations, not on whether they are desirable or undesirable.[3]

In other words, the study includes no assessment of the worth of programs cut in the budget. In calculating the gap, the assumption is that for every dollar reduction in government support to a non-profit organization, a private dollar must be found to replace it. This may be a necessary assumption to make in order to arrive at a "neutral" conclusion, but it weakens the study as a guide to future needs. Although the budget cuts were generally intended to reduce the level of federal spending, the Administration did not cut at random, but sought to concentrate the reductions in areas where government funding was of questionable efficiency, such as:

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[3] Salamon, Budget Proposals, p. 4.

a) Reductions in waste, fraud, and ineffective programs

Several of the programs cut or eliminated were wasteful and unnecessarily bureaucratic. As Senator Proxmire often has pointed out, many research awards and other expenditures finance activities of highly questionable value. And many "service" organizations seem to be more interested in obtaining and consuming government grants than in providing tangible assistance to anyone. Must waste of this kind now be financed by the private sector?

Many government-supported programs have been of marginal use, while others arguably have been counterproductive. Certain community development programs, for example, seem to have done little to develop communities, and some may even have exacerbated the problems of depressed neighborhoods. The public-sector CETA program, for instance, has often been accused of providing little real training and of inculcating negative attitudes about private sector employment. In addition, many welfare programs have trapped their recipients in a state of dependency, rather than providing a ladder out of poverty.

Although there would be considerable debate over the value of the particular programs cut, it is clearly not valid to view all the cuts as necessarily requiring some alternative sources of support. In some cases, programs cut should be reduced and even allowed to die; in many other cases, enormous waste can be reduced without impairing the quality of services provided.

b) Activities to be financed directly by recipients

Part of the budget cutbacks for the arts and education, such as the new needs test for student loans, rests on the contention that users of some service should pay directly for the cost. While this involves trimming federal support of certain non-profit organizations, it does not mean that there is a gap to be filled by private donations. The gap, such as it is, is to be covered by the beneficiaries.

In addition to an analysis of the degree to which non-profit organizations would lose federal funding, the Urban Institute study also examined the effect of the 1981 Tax Act on the incentives for charitable donations.

The Tax Act -- Individual Income Tax Rates

Spokesmen for the voluntary sector have expressed considerable concern over the effect that the reduction in individual income tax rates will have on charitable giving. Stated simply, the argument is that the higher a taxpayer's marginal tax rate, the more a charitable deduction is worth and thus the lower is the "price" of a gift. A taxpayer in the top 70 percent bracket (prior to the new law), for instance, would pay only $30 "out-of-pocket" for a $100 donation. The new law raises this net cost of giving. Because the top rate in 1982 will be 50 percent, the

after-tax cost of the $100 gift will be $50. The 25 percent cut in rates for the other brackets will have a similar effect. In every case, the new law will make charitable contributions more expensive compared with other ways of spending one's income.

There is strong evidence for the contention that the "price effect" tends to reduce charitable giving -- but only if all other things are equal.[4] The evidence further suggests that price sensitivity is more pronounced at higher income levels than at lower. High income donors tend to give more heavily to educational and health organizations than to welfare or religious groups, and so the across-the-board tax cut can be expected to affect health and educational bodies to a greater degree than other non-profit organizations.

Complicating the calculation of the aggregate effects of the tax cut, however, are a number of factors:

a) Deductions for non-itemizers

Only taxpayers who itemize deductions are influenced by the price effect under normal circumstances. For the more than 60 percent of taxpayers (concentrated in the lower and middle income ranges) who take the standard deduction, the price of giving has been the full amount contributed. The 1981 Tax Act, however, contains a provision allowing non-itemizers a special deduction on the short tax form. This effectively reduces the price of donations by the amount of the taxpayer's marginal rate. If a taxpayer is in the 30 percent bracket and does not itemize his deductions, a $100 gift to charity has meant an out-of-pocket cost of $100. But under the new law, the donor will be able to deduct charitable gifts from his taxable income, and then take the standard deduction. So a future $100 donation by a non-itemizing taxpayer in the 30 percent bracket will cost him only $70. Until 1985, a ceiling will restrict this special deduction; after that, there will be no limit.

Although contributions by lower income donors tend to be less price sensitive than those by high income taxpayers, the special deduction should stimulate gifts to organizations supported by non-itemizers, in particular churches and social welfare organizations. Martin Feldstein and Lawrence Lindsey, of the National Bureau of Economic Research, estimate that the special

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[4] See, for example, Martin Feldstein, "Tax Incentives and Charitable Contributions," National Tax Journal, 1975; Martin Feldstein and Amy Taylor, "The Income Tax and Charitable Contributions," Econometrica, 1976; Feldstein, Testimony before the Subcommittee on Taxation, Senate Finance Committee, January 31, 1980, Charles Clotfelter and Eugene Steuerle, "Charitable Contributions," in Henry Aaron and Joseph Pechman (eds.), How Taxes Affect Economic Behavior (Washington, D.C.: The Brookings Institution, 1981).

deduction will increase total philanthropy by 12 percent.[5] This will offset at least part of the price effect stemming from the tax cut.

b) Income Effects

The negative effect of a reduction in marginal tax rates will also be offset by changes in the income of donors, both as a direct result of the tax cut, and because of future growth in the economy. The more money people earn, the more generous their giving. Central to any projection of giving in the future must be a set of assumptions regarding the growth of the economy, but there is no consensus on what that level of growth will be.

c) Switching

A third, albeit minor, complication involves the manner in which gifts are made. The Tax Act is so sweeping in its scope that it is likely to prompt changes in the pattern of giving. The reduction in estate taxes, for example, may reduce the level of bequests to charity, but donors could simply switch all or part of their intended contributions to gifts during their lifetime, thus swelling the aggregate of gifts by living individuals. This would depend on whether a donor wished to defer a contribution until his death, or simply wanted to give under the most favorable tax treatment. There are several other similar tax changes which will be summarized later. The interaction of these changes makes the net effect of the Tax Act very difficult to project accurately if the analysis is confined to only one form of giving, even if that method is the most common.

The Urban Institute Study[6]

The recent Urban Institute study on the implications of the Tax Act for philanthropy has been widely quoted as concluding that individual contributions to churches, colleges, hospitals, and other non-profit organizations will fall by a total of over $18 billion during the next four years. If this is added to their earlier estimates of the losses to be suffered from the budget cuts, the combined shortfall could be $45 billion between 1981-1984. The study concluded that three-quarters of this "loss" would be from reduced giving by individuals in the top seven tax brackets, and so the greatest impact would be felt by organizations supported by higher income donors.

Like the earlier assessment of the budget cuts, the tax study rests on certain assumptions critical to its conclusions.

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5 Martin Feldstein and Lawrence Lindsey, Stimulating Nonlinear Tax Rules and and Nonstandard Behavior: An Application to the Tax Treatment of Charitable Contributions (Cambridge, Massachusetts: National Bureau of Economic Research, 1981).

6 See note 2.

Once again, these caveats were largely ignored in the media interpretations of the study. The principal assumptions and limitations of the study are:

a) The exclusive focus on charitable donations by living individuals. Foundations, corporations, and bequests are not included. The authors defend these omissions on the grounds that reliable analyses of the giving behavior of these other donors are not available, and that contributions by living individuals account for well over 80 percent of total charitable giving.

b) Basing projections on the relationships between tax, income, and donations that have been observed in the past. The study simply assumes that there will be no change in the basic pattern of philanthropy.

c) Using the Carter Administration's economic forecast to estimate the level of giving that would have occurred in 1981-1984, had the pre-1981 tax law remained in force. For their projection of giving under the Reagan program, the authors used the present Administration's forecast for 1981-1984.

Limiting the analysis to living individuals may appear to be a valid approach. While the tax law does change the treatment of contributions by corporations and foundations, these probably will result in only a modest change in donations. In any case, individual support dominates total giving. On the other hand, 60 percent of gifts by living individuals are donated to religious organizations. Such gifts are a negligible proportion of donations by other segments of philanthropy. Of the non-religious element of giving, corporations and foundations account for over one-fifth. Thus, confining the study to living individuals greatly skews the outcome.

The second and third assumptions are even more problematical. The study concludes that under the Reagan Tax Act and economic scenario, charitable giving in real terms will increase faster during the next four years than during the last four years (a 14 percent total increase compared with 13.3 percent). If the study's projections of giving under the new Tax Act suggest a rate of increase that is greater than the trend in recent years, how can the study conclude that there will be an $18 billion loss during 1981-1984? The answer: using the Carter economic forecast and tax law, the study projected a quite remarkable upturn in individual giving compared with 1976-1980. Over the next four years, said the study, giving would have increased by 25 percent -- double the rate of increase during the last four years. As Table 1 illustrates, it would also have meant a complete reversal of the present downward trend of individual giving as a percentage of personal income. The Reagan figures require no such dramatic turnaround.

TABLE I

Individual Giving as a Percentage of Personal Income, 1976-1980, and Projections for 1981-1984, 1981 Tax Act vs. pre-1981 Law

Year	1981 Tax Act	Pre-1981 Law
1976	n/a	1.92
1977	"	1.91
1978	"	1.91
1979	"	1.89
1980	"	1.84
1981E	1.85	1.86
1982E	1.84	1.94
1983E	1.83	1.99
1984E	1.88	2.10

Source: Clotfelter and Salamon, The Federal Government and the Nonprofit Sector, p. 19.
E: Estimated by the authors.

The "decline" of $18 billion ($9.9 billion in constant 1980 dollars) in individual giving "below what it would have been under prior law, as a result of the recently enacted Economic Recovery Act of 1981" (as the authors put it) is therefore not a loss in any meaningful sense. It is only a comparative decline, based on a projection of giving which would have required a complete reversal of the trend of giving as a percentage of personal income and a doubling of the real rate of increase of contributions.

While the authors estimate that the rate of giving under Reagan will increase, they also claim that contributions to health and education will fall by 3 percent, in real terms, between 1981 and 1984. Religious and social welfare organizations will enjoy most of the increase. But this must be seen in context. Gifts to health and educational organizations showed virtually no increase, in real terms, during the 1970s.[7] So a decline of 3 percent would not be a major departure from the present trend, if one were to accept all the assumptions and reasoning of the study. Moreover, corporations and foundations are heavy supporters of health and education. Roughly two-thirds of all corporate contributions are split between these areas, and about 20 percent of all support to higher education comes from foundations.[8] Consequently, the future pattern of contributions to these two areas is likely to be influenced very strongly by factors that were not examined by the study.

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7 See Butler, Philanthropy in America, p. 3.
8 Ibid., p. 31.

Not only is the study's benchmark projection of giving under the pre-1981 law very suspect, but the assumption that the basic pattern of giving will remain unchanged over the next four years is also contentious. Patterns do change over time. In constant dollars, giving to religious organizations has risen steadily during the last twenty years. Gifts to education, on the other hand, doubled between 1960 and 1970 and then grew very little over the next ten years. Donations to welfare organizations, measured in constant dollars, actually fell between 1960 and 1970, while support to health more than doubled. Philanthropy patterns are complex, and can change greatly in a relatively short period.

Voodoo Voluntarism?

The Urban Institute study assumes that the supply and demand for charitable dollars are completely unrelated. In assessing trends for the next four years, the authors assume that a person's desire to give is simply a function of the price of giving (which depends on the tax rate) and the level of his income. The principal reason why giving was projected to rise so rapidly under the pre-1981 law was because "bracket-creep" would have lowered the marginal cost of donations. The decision to give, in other words, is considered in the study to be exclusively a "supply-side" phenomenon (to borrow a phrase), bearing no relation to any change in demand for charitable dollars. The assumption that supply and demand are unconnected is a serious and very fundamental flaw which could discredit the study and leave it as merely an interesting example of voodoo voluntarism.

There are very strong reasons to suppose that donors take into account perceived needs when they contribute funds. People do respond to appeals. And as a direct result of federal budget cuts, there will be strong appeals for donations. If the flexible patterns of the past are a guide, the structure of giving will shift in favor of those organizations hurt by the cuts and seen by the public as socially valuable.

Another reason why we can expect charitable giving to increase to meet new needs is what may be called a "crowding-out" theory of philanthropy. According to this hypothesis, people within a society have a view of what they feel to be an appropriate level of public services in each field. This level will change over time, depending on attitudes and the wealth of the society, and the range of services thought necessary.

These services can be financed either through the private sector, in the form of fees or donations, or by government. If government funding of a particular service increases, private support will tend to fall. This is due, in part, to the popular feeling that private money is needed less. And it is due in part to the disinclination of people to contribute twice to the same organization -- first in the form of a tax and then as a charitable donation. Government support of charities, according to the theory, has the effect of "crowding-out" private funding.

There is historical evidence to support the theory. The increase in government expenditures on public services has been accompanied by an erosion of private funding in many countries. The great charities of victorian England have declined in importance in the wake of the British welfare state. In America, the same trend is noticeable. Private donations to health, education, and welfare organizations have stagnated, in real terms, in the years since the Great Society programs were enacted.

If the "crowding-out" theory is correct, it should also operate in reverse. As government aid is cut to organizations which the public deems worthy of support, private giving will increase. The depth of the budget cuts, and the publicity given to them, will assist popular charities in their requests for private help, and provide a stimulus to giving, thus altering the pattern of support. And the tax cuts, rather than reducing the desire to give, as supposed by the Urban Institute researchers, may on balance tend to increase giving, because donors will see fewer dollars pre-empted by government. The future pattern of giving, therefore, probably will have very little to do with the state of the economy, previous patterns of giving, or even the price of gifts. It is more likely to be the product of a desire by the public to fund services that are considered of value to society. In other words, a simple case of philanthropy.

The Tax Act -- Estate and Gift Taxes

In addition to changes in taxes on income, the 1981 Act contained certain other provisions that will affect gifts made by individuals. The most important of these is probably the modification of the tax on estates and gifts.

Under the pre-1981 law, estates and accumulated gifts greater than $175,625 were liable to a tax ranging from 18 percent to 70 percent. A spouse, however, could inherit half of an estate free of this tax. The new law raises the tax-free gift and estate threshhold, in increments, to $600,000 in 1987, and reduces the maximum rate on taxable gifts and estates to 50 percent by 1986. The exclusion from tax of transfers to a spouse is raised to 100 percent, and a lower valuation for farm and other real business property will be used for tax purposes. Furthermore, the annual level of gifts allowed as an exclusion from the tax is to climb from $3,000 per donee to $10,000.

The effect of these changes will be to increase the price (i.e., after-tax cost) of bequests and lifetime gifts to charity, relative to disposals for other purposes. The degree to which this will affect total giving, however, is difficult to determine. It may cause a significant fall in the level of contributions to colleges and other organizations traditionally funded through bequests. On the other hand, it may cause an alteration in the form of gift, rather than in the amount. Some donors, for instance, may create a foundation rather than provide for a bequest.

There is understandable concern among college administrators about the net effect of these new provisions. But several fund-raisers point out that the increase in the tax-free allowances will not substantially change the tax liability of the multi-million dollar estates that are the source of so many bequests. Richard Winter, director of deferred giving at Rice University, noted recently that large contributors tend to have estates much greater than $600,000. "The major donors are still going to have tax problems," he said.[9]

A provision in the Tax Act may encourage certain kinds of support to education and health organizations. The new law excludes tuition payments, training fees, and medical payments from the $10,000 annual tax-free gift allowance. There is no ceiling on this exclusion nor restriction on the relationship between the donor and the donee. So there will be a tax incentive for donors who take the full annual gift tax exclusion to consider providing scholarships (and hence funds for education).

PART II: FOUNDATIONS, CORPORATIONS AND VOLUNTARISM

While individuals provide over 80 percent of private support to non-profit organizations, increasing attention is being given to the role of foundations and corporations. Pressure is mounting for them to expand their charitable activities. This raises two questions: To what extent can foundations and corporations provide more support to charity, given the present tax law and regulations? And what should their role be?

The Tax Act and Foundations

Under the pre-1981 law, private grant-making foundations were required to distribute annually either 5 percent of their net investment assets or their realized new income, whichever was the greater. In the new law, this minimum payout requirement is limited to 5 percent of assets.

This change should help to reverse a trend that seemed destined to lead to the extinction of the private foundation as an important source of charitable funds. The payout requirement was instituted in 1969 to ensure that foundations distributed a reasonable share of their income each year. The 1970s, however, were a period in which the real value of equity investments fell, while the income yields of most assets rose. Tax-exempt bodies other than private foundations could defend their assets by holding high-yield instruments and reinvesting the proceeds. But the payout requirement prevented foundations from using this strategy to build up their financial base. The base eroded and the ability to give consequently declined. As a result, gifts by

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[9] The Wall Street Journal, July 28, 1981.

foundations, measured in constant dollars, have fallen by almost half since 1969, and, according to the Council of Foundations, the total real value of foundation assets has been reduced by about 40 percent.

The new flat 5 percent minimum, instead of the requirement that all net income must be disbursed, will enable surviving foundations to repair the damage of the last twelve years and stimulate the formation of new foundations, since the rigidity of the old payout requirement discouraged donors from establishing foundations.

The Tax Act and Corporations

Pre-1981 law allowed a corporation to deduct no more than 5 percent of its taxable income as charitable contributions. This was raised to 10 percent by the new law. For tax-exempt corporations, created by non-profit organizations, the ceiling on tax-free unrelated business income remains at 5 percent.

Some spokesmen for non-profit groups seem to assume that raising the limit on deductible corporate contributions will unleash a torrent of donations. Yet, the 5 percent rule has hardly been a severe obstacle. While some corporations may have felt restricted by the ceiling, the average level of corporate donations in recent years has been closer to 1 percent than 5 percent. The increased limit thus is not going to facilitate any constrained desire to give. Moreover, the new depreciation schedules and other business tax relief will reduce the taxable income of most companies, especially in the short term. This can only reduce the tax incentives for corporate philanthropy.

The corporate world does seem to be coming under strong pressure, however, to increase donations. There have always been those who see corporations as a convenient source of money to finance any number of causes, without regard to the function of corporations or the economic consequences of such a strategy. These people are now arguing that an increase in corporate philanthropy is the price that business is obligated to pay for its tax relief.

While this kind of sentiment is expected from the usual critics of American business, similar notions are now coming from officials in the White House. Thinly-veiled threats and arm-twisting seem to be a part of the Administration's approach to corporate "voluntarism." James Rosebush, the White House aide responsible for voluntary sector liaison, remarked in a National Journal interview, "I don't think that the Administration will hold the corporate sector accountable, I think the American people will....We won't point out the good and bad [corporate] performances, but the American people will."[10] And if they

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[10] The National Journal, September 19, 1981, pp. 1668-1669.

don't, Rosebush might have added, Ralph Nader and his associates will be delighted to do so.

Yet even if corporations responded to this kind of pressure and greatly expanded their giving, they could not cover the reduction in federal support without severe cuts in their investment programs. Corporations account for only 5 percent of charitable contributions. If the Administration continues to jawbone corporations, and to tell the public that business will come to the rescue, it will achieve little more than providing its own critics with a very effective stick.

But is it correct to suppose that corporations should try to fill the gap, even if they could? Individuals give money to charity for various personal reasons, and they allocate their funds accordingly. Corporations, on the other hand, can hardly be said to have charitable instincts, in any meaningful sense. They are operated by managers of other people's money, and the proper goal of the managers is to achieve the best return for the shareholders. In so doing, they also efficiently provide services and goods to the public. When corporations in a free society engage in charitable activities, the motivation is and should be a function of normal business goals.

Within this framework, charitable activities can have very tangible economic returns in certain circumstances, and donations should be seen strictly in that way. Support to colleges and training programs, or for research, can be a sensible way for a corporation to develop new techniques and a skilled workforce. Similarly, there are often good reasons of mutual self-interest behind corporate support for local community development groups. A stable, improving urban environment benefits the businesses as well as the residents of the city. But the argument that business should blindly support charity out of some notion of corporate "conscience" is irrational. At worse, an increase in contributions would be little more than a begrudged and wasteful payoff to avoid harassment, and at best it would be inefficient, since the allocation decisions would be devoid of any element of individual obligation or charitable instinct. Moreover, the corporations would be simply controlling charitable dollars that should be allocated by shareholders. Surely it is better to have a situation in which the distribution of funds to charity reflects the cumulative decisions of individuals rather than the boards of corporate America.

The best way that a corporation can "contribute" is through its owners, the shareholders who are the corporation. The duty of corporate managers is to provide revenue to the shareholders. It is the duty of shareholders to give to charity.

This is not to say that corporations cannot play an important role in providing services to the public, but rather that this should be done in the context of normal business activities. Many private firms deliver services under contract, and they are

often much more efficient than either government or non-profit organizations. The for-profit hospitals, for example, have an excellent record of providing value for money. Similarly, subsidized job-training programs in the private sector have a far better track record than the wasteful CETA public jobs program cut by the Administration. It would be more sensible to view corporations as a partner in the provision of necessary public services than to see them as a convenient source of "guilt" money.

Mobilizing the Voluntary Sector

The President's Task Force on Private Sector Initiatives will explore methods of expanding voluntarism, and examine mechanisms to increase support for non-profit organizations. But while the "gap" is narrower than many suppose, and there is great potential in the sector, there are nevertheless laws and regulations that needlessly impede the voluntary sector in its efforts to respond to the challenge before it. The Task Force must address these. In addition, it should be recognized that money is not the only issue. There are some remarkable examples of innovative uses of voluntary sector resources. The Task Force should identify these and encourage other organizations to learn from them.

Some of these problems and possibilities are summarized below.

a) The Regulation of Fundraising

Fundraising activities will have to increase considerably if the voluntary sector is to obtain the finance necessary to expand its role in providing services. But the recent growth of government restrictions on fundraising poses a serious obstacle. In his book Charity Under Siege, Bruce Hopkins, a charity law expert, described the nature of this "onslaught" of regulation:

> Fundraising regulation has not come upon the voluntary sector by means of a single law, but is, instead, an amalgam of slowly building and encompassing local, state and federal administrative regulation.
>
> It is an unfortunate fact that the charitable world is now wholly exposed to creeping regulation by federal, state and local agencies. While this regulation intensifies, the charities seem immobilized.[11]

The greatest problem of all, according to Hopkins, confronts organizations which seek to raise money by direct mail in several states. These groups face:

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11 Hopkins, Charity Under Siege, p. viii.

a bewildering array of differing requirements, forms, due dates, exemptions, and accounting principles. All too frequently the organization "solves" this problem by registering in only a few states -- or, perhaps, in none at all.

Regulation is not confined to mail fundraising, however. Complex rules apply to virtually all aspects of funding activities by all non-profit organizations. These regulations discourage the growth of most groups, and cause others to cease their activities completely. For those groups which try to understand and comply with the law, the effect is to increase fundraising costs and to provide employment for lawyers and accountants.

The Task Force should review the debilitating federal burden on the voluntary sector, and suggest ways in which state and local rules could be simplified. By doing so, obstacles in the path of existing organizations would be reduced, and the formation of new voluntary groups would be encouraged.

b) Taxes and Restrictions on Contributions[12]

The Tax Reform Act of 1969 included substantial changes in the tax-deductibility of gifts of appreciated property (including stock) to charitable organizations. The proportion of the appreciation in market value that could be deducted was cut severely, for both individuals and corporations. In the case of gifts to private foundations, even lower deduction limits were imposed. Inflation during the 1970s and 1980s, in conjunction with these changes, has reduced the attractiveness of such gifts. This has been particularly harmful to private foundations, and has accelerated their decline.

The Task Force should examine these effects closely, and suggest a new framework of legislation that will treat gifts of appreciated property in the light of today's rate of inflation. In addition, the distinction between private foundations and other charitable organizations must be ended, if the foundations are to be revived.

The 1981 law contained a little-noticed provision which could prove damaging to many non-profit groups. The tax rates on unrelated business taxable income[13] were reduced in line with the general cut on corporate rates. However, the new 10 percent ceiling on tax-free income that can be contributed will not apply to unrelated business income earned by non-profits. In the latter case, the old 5 percent limit continues.

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12 For a general account of this issue, see Butler, Philanthropy in America.

13 That is, income from a business owned by a non-profit organization, where the income results from operations which are unrelated to the charity's tax-exempt activities; for example, a coffee shop run by a church.

The tax on unrelated business income was instituted in 1950 to end unfair competition in the market place, by putting businesses operated by charities on the same tax footing as any other business. But the new law will result in a relatively greater tax burden for charity subsidiaries. Not only is this a breach of the principle of equal treatment, but it is particularly regrettable because many of the charitable organizations which once relied heavily on government support are now in the process of creating business ventures to supplement their funding. This process should have been helped, not hindered by the new tax law.

Foundations

In addition to the regulations affecting fundraising, private foundations have been inundated in recent years with restrictions on almost every part of their activities. The extensive reports that must be filed with the federal government, and the close scrutiny that is required in the case of grants to individuals, have discouraged foundations from supporting new ideas. Government policy has forced foundations to become more bureaucratic and conservative. As Marian Edelman of the Children's Defense Fund remarked recently, to obtain foundation support for a thoughtful proposal these days, "the burden of proof is more substantial than it used to be."[14]

These restrictions grew largely out of a perception in the 1950s and 1960s that foundations were merely unaccountable tax havens. Some reforms were clearly necessary, but the pendulum has now swung too far in the other direction. The decline of the private foundation must be reversed, because these organizations play a key role in philanthropy -- a role which is now more important than ever in view of the new demands on the voluntary sector. Foundations are sources of finance, but they are much more than that. They are the entrepreneurs and catalysts of the voluntary sector. According to Ford Foundation president Franklin Thomas:

> There is a growing need for foundations to play a connective role in society -- to link private-sector resources with the energies of people in the community who are trying to address problems, whether these people are in community groups or social agencies that work for the public's benefit.[15]

This entrepreneurial feature will be vital in the new era of voluntarism. The infusion of organizational skills, combined with modest amounts of seed money, is likely to induce far more activity than simply providing large amounts of cash. Voluntary organizations are seeking ways of delivering new services and

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14 U.S. News and World Report, March 23, 1981, p. 62.
15 Ibid.

stabilizing their financial base. Foundations can aid that process and make it more efficient. But they must be allowed to do so.

Privatization and Contracting

In his speech to the National Alliance of Business, President Reagan drew attention to the work of one Philadelphia organization, operated by a married couple. The House of Umoja, on a shoestring budget, has been responsible for turning 500 former gang members into responsible citizens, and has helped to achieve a remarkable reduction in gang warfare.

The House of Umoja is a highly successful example of something that has been happening all over America: small, self-help groups either supplementing public services or providing entirely new ones. Many of these unorthodox groups fail, or at least do not reach their full potential, because they find themselves frustrated by government, rather than being helped by it.

The Task Force should monitor and publicize the achievements of these organizations, and it should identify and press for the removal of barriers to them. Small, inner-city day care centers, for example, are often hampered by absurdly rigid licensing requirements which protect nobody. Self-help housing rehabilitation groups can find their costs soaring because of the Davis-Bacon Act. The list is endless.

Government can also help the finances of community-based and other organizations while alleviating some of its own budget worries. Cities should consider contracting with non-profit organizations to provide services which they can deliver more efficiently. Neighborhood groups, for instance, can often provide cheaper and more effective management services for public housing projects than can professionals. Government should experiment with contracts of this form. They are a source of valuable funding and experience for the non-profit groups, and they can result in considerable savings to the city. In addition, cities and states should encourage businesses to bid for contracts when appropriate, such as for job training and educational programs.

CONCLUSION

The budget cuts and tax reductions set in motion by the Reagan Administration constitute a long-overdue attempt to shift both power and responsiblity back to the people. The voluntary sector will play a central role in this process, and the Administration must enable and encourage the sector to meet the challenge. In view of the restrictions imposed on the voluntary sector during the last twenty years, it is perhaps not surprising that many of its representatives are pessimistic. But the evidence indicates that the task is much less daunting than is generally supposed, and that Americans will respond to the obligations placed on them.

But government must help the voluntary sector make the transition. Unnecessary obstacles to voluntarism must be identified and removed, and every individual should be given encouragement to increase their giving. Corporations should not be pressured into fulfilling a function which is inappropriate to their role in society. Foundations are in dire straits thanks to perverse tax incentives and regulations, and their revival should be a priority -- the entrepreneurial skills of foundations will be desparately needed as non-profit organizations adjust to the new era. Above all, the vast potential offered by the countless voluntary associations engaged in unorthodox solutions to the problems of providing public services must be given full rein.

Stuart M. Butler, Ph.D.
Policy Analyst

Senator DENTON. Thank you very much, Dr. Butler. I take note of your reservations about the imposition, as it were, of monetary minimums on what the businesses should contribute and the impropriety, in your view, of expecting altruism or requiring it of business. It will be incumbent upon us all to be careful with our use or abuse of philosophies as we undertake this overall task. I appreciate your contributions to that, both affirmative and negative.

Dr. Meyer?

Dr. MEYER. Thank you very much for the opportunity to appear before this committee. It is nice to be here again, this time on an important subject of private sector initiatives.

An analysis of the role of private sector initiatives addressed to social problems must begin, I think, by shattering the notion that each dollar cut from Federal Government spending is a dollar that disappears and must be replaced. Neither the American business community nor the nonprofit portion of the private sector can or should try to fill a mythical gap believed erroneously to be precisely the size of a slowdown in the growth of Federal spending.

It is important to recognize that a cut in Government spending does not simply light a match to dollar bills. Those dollar bills are transferred from the Federal Government to consumers, businesses, and State and local governments.

The reason I stress this point is that it is a useful counterargument to the slick slogans and misguided shibboleths of both extreme points of view about private sector initiatives.

One viewpoint argues that budget cuts should be fully restored because a dollar cut from Federal outlays reflects a dollar of unmet needs. This simply is not the case. But, the opposite notion that budget cuts will be fully compensated for by commensurate increases in private outlays for social programs is equally misleading. Government funds are no panacea, to be sure, but let us not pretend that their evaporation will be painless. The facts about corporate giving make it clear that business contributions to nonprofit organizations could not possibly swell to a level commensurate with Federal budget cuts. And business should not be encouraged to sponsor programs that have failed under Government supervision. To suggest otherwise would be to breed cynicism and distrust throughout the private sector.

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To highlight the potential of the private sector is not to exhort corporations to dig deeper into their pockets to compensate for budget cuts. The main purpose of business is to produce goods and services that meet the needs of consumers and generate wealth and income through growth. Obviously, a larger pie provides an opportunity for all to have a slightly larger slice. Instead, some observers have focused on redistributing the pie, and strangely, are looking to business to undertake this task. Thus, we hear calls today for corporate 2 percent clubs and 5 percent clubs, as if simply throwing more money at the problems will solve them. How little we have learned, if we think that corporate billions will accomplish what Federal billions have failed to accomplish.

And I should add that I think there is a role for corporations and business in this area, but it does not always involve simply throwing money at the problems. Many corporations are doing very innovative activities, often on a very low budget.

In recent months, the debate over private sector initiatives has frequently taken the form of a contentious, polarized, and fruitless struggle between those who hold out an unrealistic vision of the private sector rushing in with checkbooks to fill the gap between ongoing human needs and diminished Federal resources and those who demand that Federal spending cuts be fully restored. This dialog pits those who see privatization as a blessing against those who see it as a curse. In my view, the truth lies in between.

To argue that Federal spending cutbacks do not involve the disappearance of money is not to deny that there will be problems in adjusting to new ways of meeting our social needs. As Government has preempted the field in the delivery of many social services or in basic problem-solving, the role of private groups has often atrophied while individuals may also hold back, assuming that Government will fill the void. But ironically, throwing billions of dollars at stubborn social problems has often not filled the void, though specific cases in which Government programs have alleviated the problem can certainly be cited. In many of our social problem areas such as youth crime, child welfare, or education, Federal Government programs are increasingly viewed as part of the problem rather than part of the solution.

As the Federal role in providing human services is scaled back, we cannot expect the private role to be proportionately augmented and enhanced instantaneously. There will be, and perhaps should be, a process of groping and experimentation, as the proper combination of a refashioned Federal role, a more vibrant State and local government role, and an enlivened private sector role develops.

Too often, Government policies stifle or eclipse private sector self-help efforts; opportunities for the Government to nourish and encourage these efforts can be developed. Government models of help have typically been overly rigid or structured along the lines of a standardized framework.

The huge social service bureaucracy has often been top-heavy and inefficient. Government service delivery has been overprofessionalized, and it has imposed unwarranted "credentialing" requirements on the initiatives of alternative service delivery systems.

Private sector initiatives tend to be more localized and varied, often reflecting the particular needs of a given area and the unusual skills of the leadership in that area. There is a need to foster approaches that capitalize on that leadership and that are tailored to the unique circumstances of a particular environment.

I think it is important to stress that many of the most effective, successful private sector initiatives operate on a relatively low budget. Their success emanates not so much from the power of the purse as from the power of the person. I do not deny that local leaders and innovators often need funding from a variety of sources, including Government, to launch their programs or to stay afloat. But, charting the rough waters of such intractable social problems as youth crime, chronic unemployment, and neglected children requires leadership, and it requires new ideas, new approaches, and new strategies. There is no one-to-one relationship between the strategies that enable us to navigate these troubled seas and the number of dollars involved.

My review of promising private sector approaches to areas such as job skills, nutrition, health care, education, housing, and child welfare suggests that it is often the commitment of time and creative energy, rather than just money, that is the key to success. Injecting these qualities into a local community as a "booster shot" can be helpful, if and only if the people in that community are involved in the treatment plan. And this requires more than tokenism or window-dressing.

Often, both public and private sector contributions have missed the mark because they have substituted false panaceas and phony placebos for the booster shots that would enable local communities to build their own antibodies against "diseases." Such strategies bypass local leaders and transcend local residents. When the priorities of planners and donors are foisted on the priorities of local people, adverse results are predictable.

Institutions operating at the grassroots level—local unions, neighborhood groups, church and ethnic organizations, and the family—are vital ingredients in private solutions to social problems. We need to nourish and revitalize these institutions, and roll back the roadblocks that impede their activities. Many successful private social programs initially sprang from the concerns of a family member or a neighbor. And often, Government has run roughshod over these private initiatives, so I believe there is a Government role, but I am calling for a different kind of Government role.

In a forthcoming AEI book on private sector initiatives, my colleagues and I will document numerous examples and case studies of such efforts. We have also suggested many reforms in Government social programs that will improve their effectiveness, lower their cost, and make them more responsive to and supportive of community self-help efforts. I will be glad to make copies of this book available to you and this committee in about 2 months, when we believe it will be completed.

Senator DENTON. I so request.

Dr. MEYER. Given the resource constraints on both the Government and the private sector, it is time to stop pretending that there are no constraints by returning to expensive program designs

and to stop passing the buck from one level of Government to another, or setting up business, inadvertently, to be sure, as the "fall guys" for not "taking over" the public sector social agenda. Instead, we should soberly address our resource constraints, constraints on the public and private sectors, in a humane way, by redesigning and overhauling Government programs to improve their effectiveness and lower their cost; breathing new life into strategies at the local level that have shown concrete results; and promoting regulatory reform that preserves the goals of the regulation, but reduces its adverse effects on private sector activities.

There will be no overnight solutions to our social problems, and progress will require both Government involvement and private initiative. But a business-as-usual approach, whether spear-headed by Federal agencies or the captains of industry, will not yield much progress. Instead, Government, business, labor, and nonprofit organizations can be catalysts that ignite the dynamic energies and marshal the resources already existing in every community.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Meyer follows:]

Prepared Statement

of

Jack A. Meyer*

MR. CHAIRMAN: Thank you for the opportunity to appear before this committee. An analysis of the role of private sector initiatives addressed to social problems must begin by shattering the notion that each dollar cut from federal government spending is a dollar that "disappears" and must be "replaced." Neither the American business community nor the nonprofit portion of the private sector can or should try to fill a mythical gap believed erroneously to be precisely the size of a slowdown in the growth of Federal social spending.

While there can be honest disagreement about whether recent or proposed budget cuts were made in the right categories of expenditures or the right amounts, there should be no question that the reduced outlays (compared to some baseline projection of what would have been spent) did not just disappear. If taxes are left unchanged in the face of such budget cuts, then smaller federal deficits will occur, easing pressure on interest rates and inflation. A reduction in the federal deficit translates into a reduction in public borrowing which, in turn, will release a portion of the pool of private savings for private borrowing. This will spur more private investment in plant and equipment that will improve productivity and it will facilitate consumer borrowing for home and automobile purchases or various forms of installment credit. If tax cuts corresponding to budget cuts are enacted (with deficits remaining about the same in the short run), then personal disposable incomes will rise. In either event, it is important to recognize that a cut in government spending does not simply light a match to dollar bills; those dollars are transferred from the federal government to consumers, businesses, and state and local governments.

*The views expressed in this testimony are those of the author and do not necessarily represent those of the American Enterprise Institute, a nonprofit research and educational institution that does not take positions on public policy issues.

The reason for stressing this point is that it is a useful counter-argument to the slick slogans and misguided shibboleths of both extreme points of view about private sector initiatives. One viewpoint argues that the budget cuts should be fully restored because a dollar cut from federal outlays reflects a dollar of unmet needs. This simply is not the case. But, the opposite notion that budget cuts will be fully compensated for by commensurate increases in private outlays for social programs is equally misleading. The private sector neither can nor should re-fund the same programmatic structure de-funded by Congress. Stated somewhat differently, the fact that money cut from federal social programs does not evaporate should not lead us to believe that this money that is returned to the private sector will find its way to the same social agenda addressed by those federal programs. There is a lot of rhetoric these days suggesting that federal budget cuts don't matter much because the private sector will "fill the gap." Notions of a simple transfer of funds for social needs from the government to the private sector are misleading and dangerous. Government funds are no panacea, but let's not pretend that their evaporation will be painless.

A Sober View of the Role of Business

The facts about corporate giving make it clear that business contributions to nonprofit organizations could not possibly swell to a level commensurate with federal budget cuts. And business should not be encouraged to sponsor programs that have failed under government supervision. To suggest otherwise would be to breed cynicism and distrust throughout the private sector.

To highlight the potential of the private sector is not to exhort corporations to dig deeper into their pockets to compensate for budget cuts. The main purpose of business is to produce goods and services that meet the needs of consumers and generate wealth and income through growth. If ways can be found to increase the productivity of business, those who are in the "business" of helping the unfortunate or disadvantaged will have more resources to work with, and the disadvantaged will gain accordingly. For example, business, on average, gives about 1 percent of pre-tax profits to nonprofit organizations. If pre-tax profits rise 10 percent, business giving is likely to rise about 10 percent (other factors held constant), without any increase in the proportion of profits donated. Obviously, a larger pie provides an opportunity for all to have a slightly larger slice. Instead, some observers have focused on redistributing the pie, and strangely, are looking to business to undertake this task. Thus, we hear calls for corporate "2 percent clubs" and "5 percent clubs," as if simply throwing more money at the problems will solve them. How little we have learned if we think that corporate billions will accomplish what federal billions have failed to accomplish.

Groping for a proper balance between the public and private sectors

In recent months, the debate over private sector initiatives has frequently taken the form of a contentious, polarized, and fruitless struggle between those who hold out an unrealistic vision of the private sector rushing in with checkbooks to fill the gap between ongoing human needs and diminished federal resources and those who demand that federal

spending cuts be restored. This dialogue pits those who see "privatization" as a blessing against those who see it as a curse. The truth surely lies in between.

To argue that federal spending cutbacks do not involve the "disappearance" of money is not to deny that there will be problems in adjusting to new ways of meeting social needs. As government has pre-empted the field in the delivery of many social services or in basic problem-solving, the role of private groups has atrophied while individuals may also hold back, assuming that government will fill the void. But, ironically, throwing billions of dollars at stubborn social problems has often not filled the void, though specific cases in which government programs have alleviated a problem can be cited. In many of our social problem areas (e.g., youth crime, child welfare, education) federal government programs are increasingly viewed as part of the problem rather than part of the solution.

As the federal role in providing human services is scaled back, we cannot expect the private role to be proportionately augmented and enhanced instantaneously. There will be, and perhaps should be, a process of groping and experimentation, as the proper combination of a re-fashioned federal role, a more vibrant state and local government role, and an enlivened private sector role develops.

Too often, government policies stifle or eclipse private sector self-help efforts; opportunities for the government to nourish and encourage these efforts can be developed. Government models of help have typically

been overly-rigid or structured along the lines of a standardized framework. The huge social service bureaucracy has been top-heavy and often inefficient. Government service delivery has been over-professionalized, and it has imposed unwarranted "credentialing" requirements on the initiatives of alternative service delivery systems.

Private sector activities tend to be localized and varied, often reflecting the particular needs of a given area and the unusual skills of a given leadership in that area. There is a need to foster approaches that capitalize on that leadership, and that are tailored to the unique circumstances of a particular environment.

The "money illusion"

It is important to stress that many of the most effective, successful private sector initiatives operate on a relatively low budget. Their success emanates not so much from the power of the purse as from the power of the person. I do not deny that local leaders and innovators often need funding from a variety of sources to launch their programs or to stay afloat. But, charting the rough waters of such intractable social problems as youth crime, chronic unemployment, and neglected children requires leadership and it requires new ideas, new approaches, and new strategies. There is no one-to-one relationship between the strategies that enable us to navigate these troubled seas and the number of dollars involved.

My review of promising private sector approaches to areas such as job skills, nutrition, health care, education, housing, and child welfare suggests that it is often the commitment of time and creative energy,

rather than just money, that is the key to success. Injecting these qualities into a local community as a "booster shot" can be helpful if, and only if, the people in that community are involved in the treatment plan. And this requires more than tokenism or window-dressing.

Often, both public and private sector contributions have missed the mark because they have substituted false panaceas and phoney placebos for the booster shots that would enable local communities to build their own anti-bodies against "diseases." Such strategies bypass local leaders and transcend local residents. When the priorities of planners and donors are foisted on the priorities of local people, adverse results are predictable.

If I need X and you give me Y, which I don't believe I need, how much better off am I? Your motives may be admirable, but I can't wear your motives on my back, or start up a small business with them. Indeed, if I want to start such a business, but you think what I need is exposure to the symphony on public television, will I thank you for your grant, particularly if I don't have a television?

The institutions operating at the grass roots level--local unions, neighborhood groups, church and ethnic organizations, and the family--are vital ingredients in private solutions to social problems. We need to nourish and revitalize these institutions, and roll back the roadblocks that impede their activities. Many successful private social programs initially sprang from the concerns of a family member or a neighbor.

In a forthcoming AEI book on private sector initiatives, my colleagues and I will document numerous examples and case studies of such efforts. We have also suggested many reforms in government social programs that will improve their effectiveness, lower their cost, and make them more responsive to, and supportive of, community self-help efforts. I will be glad to make copies of this book available to this committee in about two months, when we estimate that it will be completed.

Given the resource constraints on both the government and the private sector, it is time to (1) stop pretending there are no constraints by returning to expensive program designs; and, (2) stop passing the buck from one level of government to another or setting up business as the "fall guys" for not "taking over" the public sector social agenda. Instead, we should soberly address our resource constraints in a humane way by (1) redesigning and overhauling government programs to improve their effectiveness and lower their cost; (2) breathing new life into strategies at the local level that have shown concrete results; and, (3) promoting regulatory reform that preserves the goals of the regulation, but reduces its adverse effects on private sector activities.

There will be no overnight solutions to our social problems, and progress will require both government involvement and private initiative. But, a business-as-usual approach, whether spear-headed by federal agencies or the captains of industry, will not yield much progress. Instead, government, business, labor, and nonprofit organizations can be catalysts that ignite the dynamic energies and marshall the resources already existing in every community.

Senator DENTON. Thank you, Dr. Meyer. I see you share some of the views of Dr. Butler. I guess, though, no one is asking for an absolute. No one is asking for business to replace Government in this. Although a theoretical argument can be made that there is no responsibility for altruism or justifiable means of imposing a contribution of any level, it would be in the long-range self-interest of business. They do, therefore, present a potential for, in some cases, an approach to improving conditions in their community which are in their long-range self-interest, both as a local, environmental feature, and to avoid the specter of returning to the oversimplistic approach that the Government has got to do it all. So there is in my view, without wanting to sound ultimatumish, some long-range self-interest on the part of the private sector as a whole to help to the degree they can in this.

Dr. Smith and Mr. Rosenbaum, do you have a combined statement that one of you is going to make, as you did in terms of your written statement?

Mr. ROSENBAUM. We are each going to make separate statements, very brief.

Senator DENTON. Please proceed.

Dr. SMITH. Senator, I would like, after saying how pleased we are to be here, to concur with you and the President's task force on the importance of the 2-percent target for business giving. We are not talking about imposing an onerous tax on business. We are talking about many businesses going from doing practically nothing to doing a little bit. I think the kind of statesmanship we saw from Mr. Calloway and his fine firm should be recognized and encouraged. While I certainly would not want us legislatively to mandate that business has to give a certain percentage of its pretax income, I would hope and register my strong view that business should do more and should have a target that they would reach.

Senator, you have our longer paper, in which we try to summarize some of the fiscal capacity of the voluntary sector. We think we got a clear grip on what the sources of revenues are in the voluntary sector, both from Government and from internally generated sources and from giving. We have submitted that paper for the record.

We are carrying on a larger project that will result in a comprehensive report on "The State of the Voluntary Sector", which we will complete by the end of the year.

I would like to jump to page 7 of our prepared testimony, and summarize quickly a few of the points that have struck us in our research.

The process of adaptation to the changing public policy climate is dynamic and not static. Rather than assume that there is any fixed level of demand for the services provided by voluntary institutions, it is important to recognize that there is a complex interplay of service demand, cost, alternative performers, and competing claims on public interest and attention.

One noteworthy development, which our colleagues on the panel have noted, is that in the public policy climate in the 1980's, there will be increased competition in service delivery. We believe that competition among service performers, whether traditional Government agencies, voluntary organizations, or business enterprises,

will be a significant feature of the new policy climate. For example, business firms have begun to develop training, transportation, vocational rehabilitation and other programs in service areas once monopolized by traditional Government agencies or by nonprofit organizations. Or, consider the growth of the national proprietary hospital chains, such as the Hospital Corp. of America, which have emerged as important institutions in the health field.

The search to define new roles for the voluntary sector, for Federal and State government, and for the business community has only just begun. The period ahead may be one of sharp discontinuity in social policy relative to the roles and responsibility of nonprofit and profitmaking institutions. A second noteworthy development is the search for greater efficiency within nonprofit institutions themselves.

A third notable point—and I would like to just conclude on that note, Senator—is the increasingly important role of religious institutions. Churches, synagogues, missions, religious orders and religious auxiliaries have played an important role in providing services to the aging, children, and other needy citizens. We believe that this role will grow in importance. Religious institutions stand to gain most from the tax changes relative to charitable giving by the nonitemizers. Indeed, according to some estimates, churches and synagogues may well absorb more than half of the increases in givings by small donors that will likely result from last year's Tax Act. This will provide an expanded fiscal base from which to finance not only sacramental activities of churches, but also the important nonsacramental activities in which many of them engage.

The increased commitment to providing human services by the religious orders for the needy was symbolized by a recent summit conference of religious associations held in Washington, D.C. at the end of March 1982 The National Council of Churches, the U.S. Catholic Conference, the Synagogue Council of America, Evangelicals for Social Action, and the Southern Baptist Convention reaffirmed their commitment to serving the poor and needy and announced their intention of increasing their charitable efforts. But in an interfaith statement issued at the conference, the church groups also warned:

> The stark reality is that the charitable resources of the churches and synagogues or of the entire private sector simply will not be sufficient to replace Federal human needs programs.

Senator DENTON. As I said before, I do not think that point is in dispute.

Dr. SMITH. Fine. Let me just skip, then, Senator, to my last comment, which is that when we have accomplished great things as a nation, we have done it through the partnership effort of entrepreneurship, voluntarism, and facilitative government action, each playing its own distinctive role within a framework of common purpose and shared goals. I think we all have a large stake in seeing that the American experiment in pluralism and limited government does succeed in creating a fair, just and humane society. If we do not succeed in this pattern, we may find a return to a more centralist and a more statist kind of government, which we would deplore.

Thank you, Senator.

[The joint prepared statement of Mr. Smith and Mr. Rosenbaum follows:]

TESTIMONY OF

BRUCE L. R. SMITH, THE BROOKINGS INSTITUTION, AND
NELSON M. ROSENBAUM, CENTER FOR RESPONSIVE GOVERNANCE,

BEFORE THE

SUBCOMMITTEE ON AGING, FAMILY AND HUMAN SERVICES
COMMITTEE ON LABOR AND HUMAN RESOURCES
UNITED STATES SENATE
APRIL 22, 1982

MR. CHAIRMAN,

IT IS A VERY GREAT PLEASURE FOR ME TO BE HERE TODAY WITH MY COLLEAGUE, NELSON ROSENBAUM, TO TESTIFY ON THE CAPACITY OF THE VOLUNTARY SECTOR TO RESPOND TO THE HUMAN NEEDS OF OUR SOCIETY. WE HAVE SUBMITTED OUR LONGER REPORT FOR INCLUSION IN THE RECORD, AND WILL LIMIT OUR TESTIMONY TO SOME OF THE CENTRAL POINTS THAT HAVE BEEN DEVELOPED IN OUR ONGOING RESEARCH PROJECT.

LET ME SAY, FIRST OF ALL, SENATOR, THAT WE PLACE OURSELVES IN A POSITION IN THE CENTER IN THE DEBATE ON THE ROLE OF VOLUNTARISM IN AMERICAN LIFE. DISCUSSION OF THE VOLUNTARY SECTOR'S RESPONSE TO GOVERNMENT RETRENCHMENT HAS BEEN POLARIZED INTO TWO POINTS OF VIEW: THOSE WHO DECRY THE "GAPS" CREATED BY ACTUAL OR POTENTIAL CUTBACKS IN FEDERAL PROGRAMS AND THOSE WHO SPEAK OF ALTERNATIVE FORMS OF SERVICE DELIVERY. NOSTALGIA HAS PERVADED

THE DISCUSSION ON BOTH SIDES. THE FIRST GROUP APPEARS TO YEARN FOR A RETURN TO THE GREAT SOCIETY, WHILE THE LATTER LOOKS FARTHER BACK TO THE DAY WHEN THE VOLUNTARY SECTOR WAS PURELY VOLUNTARY AND HAD LITTLE OR NO ACCESS TO PUBLIC FUNDS AND WHEN THE GOVERNMENT HAD NOT YET BECOME A PROMINENT FORCE IN THE NATION'S LIFE.

WE BELIEVE THAT THERE IS A GREAT DEAL OF UNREALITY IN BOTH VIEWPOINTS, BUT ALSO MORE COMMON GROUND THAN MAY AT FIRST BE APPARENT. WE SHARE THE BELIEF THAT SERVICE PROBLEMS WILL BE CREATED BY GOVERNMENT RETRENCHMENT, ESPECIALLY IN SUBSEQUENT YEARS IF CUTS ACTUALLY OCCUR AT PROJECT LEVELS. THESE HUMAN COSTS MUST BE FULLY APPRECIATED AND FACED BY ALL RESPONSIBLE CITIZENS. BUT WE ALSO BELIEVE THAT NEW WAYS CAN AND WILL BE FOUND TO MAINTAIN A HIGH LEVEL OF SERVICES IN SOCIETY AND TO PROTECT AND EVEN TO ENHANCE THE QUALITY OF LIFE.

GOVERNMENT RETRENCHMENT HAS JUST BEGUN, AND HOW FAR IT WILL PROCEED DEPENDS UPON A GREAT MANY FACTORS, INCLUDING THE GENERAL STATE OF THE ECONOMY AND THE PLAY OF POLITICAL FORCES SET IN MOTION BY THE INITIAL CUTBACKS. MOST IMPORTANTLY, WE MUST RECOGNIZE THAT THE DEBATE ON THE ROLE OF THE VOLUNTARY SECTOR AND OF OTHER INSTITUTIONS IN OUR SOCIETY HAS BEEN INITIATED, NOT RESOLVED, BY WHAT THE REAGAN ADMINISTRATION HAS PROPOSED. THE NATION URGENTLY NEEDS THOUGHTFUL AND CIVILIZED DIALOGUE ON WHAT STEPS TO TAKE NEXT AND WHAT GOALS WE SHOULD PURSUE AS A PEOPLE.

IN CARRYING FORWARD THIS DEBATE, IT IS HELPFUL TO HAVE A SOLID BASE OF UNDERSTANDING OF THE REVENUE SOURCES AVAILABLE TO THE VOLUNTARY SECTOR AND THE FINANCIAL TRENDS OF RECENT YEARS. DURING THE PAST DECADE, THE VOLUNTARY SECTOR GREW SUBSTANTIALLY AS MEASURED BY TOTAL RECEIPTS IN CURRENT DOLLARS. IN THE PERIOD 1975 TO 1980 THE VOLUNTARY SECTOR GREW FASTER THAN THE ECONOMY AS A WHOLE, LARGELY AS A RESULT IN INCREASES IN THE AMOUNT OF GOVERNMENT FUNDING THAT FLOWED TO VOLUNTARY ORGANIZATIONS, PARTICULARLY HOSPITALS AND NURSING HOMES THAT WERE THE RECIPIENTS OF MEDICARE AND MEDICAID FUNDS, AND ALSO AS A RESULT OF INCREASES IN USER OR SERVICE FEES. WHAT HAS HAPPENED SINCE THAT TIME IS THAT THIS GROWTH HAS BEEN SLOWED BY CUTBACKS IN FEDERAL PROGRAMS ENACTED IN THE 1982 FISCAL YEAR AND BY THREATENED SIGNIFICANT REVERSALS IN FUTURE YEARS. FEDERAL TAX REDUCTIONS HAVE ALSO IMPERILED THE GROWTH IN INDIVIDUAL GIVING BY THE LARGE CHARITABLE DONORS (ALTHOUGH THIS EFFECT MAY BE PARTLY OFFSET BY INCREASED INDIVIDUAL GIVING BY SMALL DONORS). THUS THERE HAS BEEN A DISEQUALIBRIUM BETWEEN THE DEMAND FOR SERVICES, WHICH INCREASED SHARPLY DURING THE PERIOD OF GROWTH OF THE VOLUNTARY SECTOR, AND THE CAPACITY OF THE SECTOR TO MEET THE DEMANDS.

THE LIKELY IMPACT OF GOVERNMENT RETRENCHMENT WILL VARY GREATLY ACROSS THE VOLUNTARY SECTOR, AND THE FISCAL CAPACITIES OF THE DIFFERENT PARTS OF THE SECTOR TO OFFSET LOSSES IN PUBLIC FUNDS REFLECT WIDE VARIATION. GOVERNMENT SUPPORT IS ONLY ONE

SOURCE OF THE REVENUES THAT FLOW TO VOLUNTARY INSTITUTIONS, IN CERTAIN CASES ONLY A RELATIVELY SMALL PART OF TOTAL SUPPORT. FOR EXAMPLE, AS SHOWN IN THE ACCOMPANYING TABLE, CULTURAL INSTITUTIONS (A CATEGORY THAT INCLUDES FINE AND PERFORMING ARTS, MUSEUMS, HISTORIC PRESERVATION SOCIETIES, AND OTHER CULTURAL ACTIVITIES) RECEIVED ONLY TEN PERCENT OF THEIR TOTAL REVENUES IN 1980 FROM GOVERNMENT WHILE GENERATING 51 PERCENT OF SUPPORT FROM SERVICE FEES AND OTHER INCOME AND 39 PERCENT FROM PRIVATE GIVING.

IN CONTRAST, VOLUNTARY INSTITUTIONS IN THE CIVIC AND SOCIAL ACTION CATEGORIES (INCLUDING COMMUNITY DEVELOPMENT, CONSUMER PROTECTION, ENVIRONMENTAL PROTECTION, AND ADVOCACY GROUPS) DEPENDED UPON GOVERNMENT FOR 44 PERCENT OF TOTAL REVENUES, AND WERE ABLE TO GENERATE ONLY 12 PERCENT THROUGH SERVICE FEES AND OTHER INCOME. HUMAN SERVICE INSTITUTIONS TEND TO BE HIGHLY DEPENDENT ON GOVERNMENT SUPPORT AS WELL, AND MANY HAVE ONLY LIMITED CAPACITY TO GENERATE ALTERNATIVE FORMS OF SUPPORT. FUNDS FOR TRAINING AND COUNSELING OF YOUTH, FUNDS FOR SERVICE TO THE ELDERLY AND DISABLED, FUNDS FOR HOUSING AND INCOME ASSISTANCE TO THE POOR ARE ALL TO BE CUT SUBSTANTIALLY, WITH LITTLE PROSPECT FOR ALTERNATIVE SUPPORT OF SERVICES. HOWEVER, THERE IS AN EMPHASIS WITHIN THIS SUB-SECTOR UPON CREATING A "LEANER" STYLE OF OPERATION, INCLUDING HEAVIER USE OF VOLUNTEERS. SUCH STEPS TO REDUCE ADMINISTRATIVE OVERHEAD MAY CUSHION THE EFFECT OF CUTS ON THE ACTUAL RECIPIENTS OF SERVICES.

TABLE 1

SOURCES OF VOLUNTARY SECTOR RECEIPTS, 1980
($ in billions)

	Private Giving		Government Support		Service Fees and Other Income[1]		TOTAL	
	Amount	Pct.	Amount	Pct.	Amount	Pct.	Amount	Pct.
Education and Research	6.75	12	4.85	9	45.00	79	56.50	100
Culture	3.00	39	.75	10	4.00	51	7.75	100
Civic and Social Action	2.00	44	2.00	44	.50	12	4.50	100
Health Services	6.50	9	29.00	43	33.00	48	68.50	100
Human Services	4.75	25	8.00	43	6.00	32	18.75	100
Religion	22.15	93	—	0	1.85	7	24.00	100
Total Voluntary Sector	45.00	25	45.00	25	90.00	50	180.00	100

[1] Figures for service fees and other income are residuals obtained by subtracting private giving and government support from estimated gross receipts in each sub-sector.

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WHILE NOT WANTING TO MINIMIZE IN ANY WAY THE HUMAN SUFFERING THAT HAS BEEN INFLICTED ON CERTAIN GROUPS BY REDUCED GOVERNMENT FUNDING, WE HAVE BEEN STRUCK BY THE STRENGTH, RESILIENCY, AND ADAPTABILITY OF THE VOLUNTARY SECTOR. ITS POTENTIAL TO GENERATE NEW SOURCES OF REVENUES AND TO DEVISE NEW WAYS OF DELIVERING SERVICES SHOULD NOT BE UNDERSTATED. RESPONSES WITHIN THE VOLUNTARY SECTOR CANNOT COMPENSATE FOR MASSIVE REDUCTIONS IN GOVERNMENT PROGRAMS, BUT IT IS HEARTENING THAT NEW COMMITMENTS, STRATEGIES, AND GOALS HAVE EMERGED TO MEET HUMAN NEEDS AND TO REVITALIZE THE TRADITION OF VOLUNTEERISM IN OUR SOCIETY.

A LARGE SHARE OF REVENUES OF MANY VOLUNTARY ORGANIZATIONS TRADITIONALLY HAS COME FROM INTERNALLY GENERATED FUNDS — USER FEES, DUES, ENDOWMENTS, RELATED BUSINESS INCOME, AND SO ON — AND NOT FROM GOVERNMENT. THE CURRENT TRENDS HAVE SPURRED THE EFFORTS OF THE VOLUNTARY SECTOR TO PLAY EVEN A MORE IMPORTANT ROLE IN MEETING HUMAN NEEDS. THROUGHOUT RECENT HISTORY, DYNAMISM AND INNOVATION HAVE MARKED THE VOLUNTARY SECTOR'S ACTIVITIES AND ARE LIKELY TO CONTINUE TO DO SO. INCREASED INDIVIDUAL AND CORPORATE GIVING MAY BE POSSIBLE IN LIGHT OF THE ECONOMIC RECOVERY TAX ACT OF 1981, PROVIDED THAT AN ECONOMIC RECOVERY TAKES PLACE. MORE EFFICIENT ASSET MANAGEMENT, THE GENERATION OF INCOME THROUGH UNRELATED BUSINESS ACTIVITY, PARTNERSHIP ARRANGEMENTS WITH OTHER ORGANIZATIONS, AND THE RAISING OF INCOME FROM HIGHER SERVICE FEES

ARE AMONG THE POSSIBLE STEPS TO STRENGTHEN AN ORGANIZATION'S FINANCIAL BASE AND TO BROADEN ITS RANGE OF SERVICES.

THE PROCESS OF ADAPTATION TO THE CHANGING PUBLIC POLICY CLIMATE IS DYNAMIC AND NOT STATIC. RATHER THAN ASSUME SOME FIXED LEVEL OF DEMAND FOR THE SERVICES PROVIDED BY VOLUNTARY INSTITUTIONS, IT IS IMPORTANT TO RECOGNIZE THAT THERE IS A COMPLEX INTERPLAY OF SERVICE DEMAND, COST, ALTERNATIVE PERFORMERS, AND COMPETING CLAIMS ON PUBLIC ATTENTION AND INTEREST. THE ROLE PLAYED BY THE VOLUNTARY SECTOR SEEMS BOUND TO UNDERGO SOME TRANSFORMATION IN THIS DYNAMIC CONTEXT, EXPANDING IN SOME AREAS AND CONTRACTING IN OTHERS.

ONE NOTEWORTHY DEVELOPMENT IS INCREASED COMPETITION IN SERVICE DELIVERY. WE BELIEVE THAT INCREASED COMPETITION AMONG SERVICE PERFORMERS, WHETHER TRADITIONAL GOVERNMENT AGENCIES, VOLUNTARY ORGANIZATIONS, OR BUSINESS ENTERPRISES, WILL BE A SIGNIFICANT FEATURE OF THE NEW POLICY CLIMATE. FOR EXAMPLE, BUSINESS FIRMS HAVE BEGUN TO DEVELOP TRAINING, TRANSPORTATION, VOCATIONAL REHABILITATION AND OTHER PROGRAMS IN SERVICE AREAS ONCE MONOPOLIZED BY NONPROFIT ORGANIZATIONS OR BY TRADITIONAL GOVERNMENT AGENCIES. OR, CONSIDER THE GROWTH OF THE NATIONAL PROPRIETARY HOSPITAL CHAINS, SUCH AS THE HOSPITAL CORPORATION OF AMERICA AND THE HOSPITAL AFFILIATES INTERNATIONAL, INC., WHICH HAVE EMERGED AS IMPORTANT INSTITUTIONS IN THE HEALTH FIELD.

THE SEARCH TO DEFINE NEW ROLES FOR THE VOLUNTARY SECTOR, FOR FEDERAL AND STATE GOVERNMENT, AND FOR THE BUSINESS COMMUNITY HAS ONLY JUST BEGUN. THE PERIOD AHEAD MAY BE ONE OF SHARP DISCONTINUITY IN SOCIAL POLICY RELATIVE TO THE ROLES AND RESPONSIBILITY OF NONPROFIT AND PROFITMAKING INSTITUTIONS. A SECOND NOTEWORTHY DEVELOPMENT IS THE SEARCH FOR GREATER EFFICIENCY IN NONPROFIT OPERATIONS, AND ADOPTION OF VARIOUS FORMS OF BUSINESS-TYPE BEHAVIOR. MANAGEMENT IMPROVEMENTS SUCH AS COST-REDUCTION, BETTER ASSET MANAGEMENT, INCREASED USE OF VOLUNTEERS, AND DEVELOPMENT OF UNRELATED BUSINESS INCOME HAVE BEEN WIDELY ADOPTED.

SOME NONPROFIT ORGANIZATIONS MAY FIND IT NECESSARY TO SPIN OFF PARTS OF THEIR ACTIVITIES TO FOR-PROFIT STATUS OR TO CONTRACT MORE EXTENSIVELY WITH BUSINESS FIRMS IN PERFORMING THEIR FUNCTIONS. FOR EXAMPLE, NONPROFIT HOSPITALS, FOR THEIR PART, HAVE CREATED PROFITMAKING SUBSIDIARIES ON A GROWING SCALE TO HELP COVER COSTS AND TO ENSURE THEIR OWN SURVIVAL.

A THIRD NOTABLE POINT THAT STRIKES US IN OUR STUDIES OF THE NEW CLIMATE WITHIN WHICH VOLUNTARY INSTITUTIONS OPERATE IS THE INCREASINGLY IMPORTANT ROLE OF RELIGIOUS INSTITUTIONS. CHURCHES, SYNAGOGUES, MISSIONS, RELIGIOUS ORDERS AND RELIGIOUS AUXILIARIES HAVE PLAYED AN IMPORTANT ROLE IN PROVIDING SERVICES TO THE AGING, CHILDREN, AND OTHER NEEDY CITIZENS. WE BELIEVE THAT THIS ROLE WILL GROW IN IMPORTANCE. RELIGIOUS INSTITUTIONS STAND TO GAIN MOST FROM THE TAX CHANGES RELATIVE TO CHARITABLE

DEDUCTIONS FOR NON-ITEMIZERS. INDEED, ACCORDING TO SOME ESTIMATES, CHURCHES AND SYNAGOGUES MAY WELL ABSORB MORE THAN HALF OF THE INCREASES IN GIVINGS BY SMALL DONORS THAT WILL LIKELY RESULT FROM LAST YEAR'S TAX ACT. THIS WILL PROVIDE AN EXPANDED FISCAL BASE FROM WHICH TO FINANCE NOT ONLY SACRAMENTAL ACTIVITIES, BUT ALSO THE NONSACRAMENTAL ACTIVITIES CARRIED ON BY RELIGIOUS INSTITUTIONS. BECAUSE OF RELIGION'S EXPANDED RECEIPTS AND BECAUSE RELIGION OCCUPIES A STABLE, CENTRAL ROLE IN AMERICAN LIFE, WE BELIEVE THAT RELIGIOUS INSTITUTIONS WILL BE LOOKED TO INCREASINGLY AS A BACKUP FINANCE AND DELIVERY MECHANISM BY OTHER PARTS OF THE VOLUNTARY SECTOR. THIS IS PARTICULARLY LIKELY TO BE THE CASE IN THE HUMAN SERVICES FIELD WHERE THERE HAS ALREADY BEEN PRESSURE UPON RELIGIOUS INSTITUTIONS FROM CHURCH-AFFILIATED HUMAN SERVICE AGENCIES FOR INCREASED FUNDING TO MAINTAIN SERVICES AFFECTED BY THE FEDERAL CUTBACKS.

THE INCREASED COMMITMENT TO PROVIDING HUMAN SERVICES FOR THE NEEDY WAS SYMBOLIZED BY A SUMMIT CONFERENCE OF RELIGIOUS ASSOCIATIONS HELD IN WASHINGTON, D.C. AT THE END OF MARCH. THE NATIONAL COUNCIL OF CHURCHES, THE U.S. CATHOLIC CONFERENCE, THE SYNAGOGUE COUNCIL OF AMERICA, EVANGELICALS FOR SOCIAL ACTION, AND THE SOUTHERN BAPTIST CONVENTION REAFFIRMED THEIR COMMITMENT TO SERVING THE POOR AND NEEDY AND ANNOUNCED THEIR INTENTION OF INCREASING THEIR CHARITABLE EFFORTS. BUT IN AN INTERFAITH STATEMENT SIGNED AT THE CONFERENCE, THE CHURCH GROUPS WARNED

THAT "THE STARK REALITY IS THAT THE CHARITABLE RESOURCES OF THE CHURCHES AND SYNAGOGUES OR OF THE ENTIRE PRIVATE SECTOR SIMPLY WILL NOT BE SUFFICIENT TO REPLACE FEDERAL HUMAN NEEDS PROGRAMS."

CALLING IT UNREALISTIC AND INAPPROPRIATE FOR THE RELIGIOUS COMMUNITY TO SHOULDER THE BURDENS OF GOVERNMENT, THE FIVE SIGNATORIES TO THE STATEMENT PLEDGED INCREASED EFFORT BY RELIGIOUS BODIES TO PROVIDE HUMAN SERVICES BUT CHALLENGED THE REAGAN ADMINISTRATION TO SEE THAT GOVERNMENT CARRIED OUT ITS "FUNDAMENTAL OBLIGATION TO SOCIAL JUSTICE — ITS RESPONSIBILITY TO ASSURE THAT NO CITIZEN GOES WITHOUT THE BASIC NECESSITIES FOR A DIGNIFIED AND DECENT HUMAN LIFE." RELIGIOUS GROUPS, LIKE OTHERS IN THE VOLUNTARY SECTOR, ARE CAUGHT IN THE PARADOX OF SEEKING TO PLAY A LARGER ROLE WHILE BEING ADVERSELY AFFECTED BY CUTS IN GOVERNMENT PROGRAMS THAT PREVIOUSLY SUPPORTED CHURCH-AFFILIATED SERVICE ACTIVITIES. NONETHELESS, THE ROLE OF RELIGIOUS INSTITUTIONS IN THE VOLUNTARY SECTOR IS LIKELY TO INCREASE SUBSTANTIALLY IN THE COMING YEARS, ACCOUNTING FOR A LARGER SHARE OF TOTAL REVENUES AND A LARGER PROPORTION OF SERVICES DELIVERED. ASSUMPTION OF THESE RESPONSIBILITIES WILL NOT BE EASY, BUT THE REASSERTION OF ONE OF THE STRONGEST STRAINS OF VOLUNTERISM IN AMERICAN LIFE IS A WELCOME TREND.

GENERAL TRENDS IN THE ECONOMY, OF COURSE, WILL HAVE A PROFOUND EFFECT ON THE FUTURE OF VOLUNTARY INSTITUTIONS AND THE

CAPACITY OF SUCH INSTITUTIONS TO SERVE VITAL NEEDS. A DEEPENING RECESSION WOULD THROW ADDITIONAL BURDENS ON THE VOLUNTARY SECTOR, WOULD REDUCE CHARITABLE GIVING BY CORPORATIONS AND INDIVIDUALS, AND WOULD MAKE IT MORE DIFFICULT FOR GOVERNMENT TO ENSURE THAT THE BASIC NEEDS OF THE POOR AND NEEDY ARE ADEQUATELY MET. WE HOPE VERY MUCH THAT THE BUDGET COMPROMISE THAT YOU AND YOUR COLLEAGUES ARE CURRENTLY SEEKING WILL BE ACHIEVED, AND THAT THE NATION WILL BE SOON ON THE ROAD TO A SUSTAINED ECONOMIC RECOVERY WITHOUT TRIGGERING A NEW ROUND OF INFLATION. VOLUNTARY SECTOR INSTITUTIONS WOULD BE AMONG THE GREATEST BENEFICIARIES IF INFLATION WERE TRULY WRUNG OUT OF THE NATION'S ECONOMY. THE RAPID INFLATION IN RECENT YEARS HAS ESCALATED COSTS, ERODED THE VALUE OF FINANCIAL ASSETS, AND IN GENERAL SEVERELY AFFECTED THE NATION'S VOLUNTARY ORGANIZATIONS. AN ECONOMIC RECOVERY NOW WOULD EASE THE BURDENS ON FEDERAL, STATE, AND LOCAL GOVERNMENT AND WOULD ENABLE THE VOLUNTARY SECTOR TO MAKE ITS OPTINUM CONTRIBUTION TO THE QUALITY OF AMERICAN LIFE.

FINALLY, WE BELIEVE THAT IT IS IMPORTANT FOR GOVERNMENT TO PLAY A RESPONSIBLE LEADERSHIP ROLE IN WHATEVER COURSE THE NATION CHARTS IN THE YEARS AHEAD. AS A NATION WE SEEM TO BE EMBARKED ON A NEW COURSE TO ENHANCE THE ROLE OF THE PRIVATE SECTOR IN OUR NATIONAL LIFE. THE GOALS THAT THE ADMINISTRATION HAS OUTLINED WOULD REVERSE THE EMPHASIS OF RECENT SOCIAL POLICY. MORE EMPHASIS WOULD BE PLACED ON PRIVATE SECTOR INITIATIVES AND

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GOVERNMENT WOULD BE LOOKED TO LESS THAN IN THE RECENT PAST. BUT THIS STRATEGY WOULD NOT ABANDON IMPORTANT RESPONSIBILITIES FOR GOVERNMENT. GOVERNMENT MUST PLAY ITS PART IN THE BASIC ENTITLEMENT PROGRAMS AND IN HELPING TO LEAD THE NATION IN THE DESIRED DIRECTIONS. WE BELIEVE THAT ANY SHIFTING OF FUNCTIONS FROM ONE LEVEL OF GOVERNMENT TO ANOTHER OR GOVERNMENT RETRENCHMENT FROM PROGRAM AREAS SHOULD TAKE PLACE IN AN ORDERLY FASHION TO CUSHION THE IMPACT ON AFFECTED CITIZENS AND TO PRESERVE THE CONSENSUAL FABRIC OF OUR SOCIETY. GOVERNMENT IS NOT THE ONLY SOURCE FOR ENERGY, LEADERSHIP, AND DIRECTION — A FREE CITIZENRY EXHIBITS THESE QUALITIES ITSELF — BUT GOVERNMENT IS AN IMPORTANT PART OF OUR NATIONAL LIFE. ITS ROLE IN HELPING TO MOBILIZE ENERGIES WITHIN THE COUNTRY AND SEEING THAT THE BUSINESS COMMUNITY, THE NONPROFIT SECTOR, AND GOVERNMENT AT ALL LEVELS WORK TOGETHER EFFECTIVELY CANNOT BE IGNORED.

WHEN WE HAVE ACCOMPLISHED GREAT THINGS AS A NATION, IT HAS BEEN THROUGH THE PARTNERSHIP EFFORT OF ENTREPENEURSHIP, VOLUNTARISM, AND FACILITATIVE GOVERNMENT ACTION, EACH MAKING ITS OWN DISTINCTIVE CONTRIBUTION WITHIN A FRAMEWORK OF COMMON PURPOSE AND SHARED GOALS. THE CURRENT EFFORT TO SEEK A LARGER ROLE FOR PRIVATE SECTOR INITIATIVES MUST BE SEEN IN THE LIGHT OF THIS TOTAL NATIONAL EXPERIENCE. THE PUBLIC SECTOR CAN HARDLY STAND ALOOF IF THE RESPONSE OF THE PRIVATE SECTOR TO ITS NEW, LARGER RESPONSIBILITIES FAILS TO ADDRESS SOCIETY'S FUNDAMENTAL NEEDS. GOVERNMENT REENTRY INTO AREAS ONCE ABANDONED WOULD SURELY BE A POSSIBILITY, PERHAPS EVEN IN A MORE CENTRALIST AND STATIST FASHION THAN WOULD BE WELCOME TO MANY AMERICANS WHO NOW DEPLORE BIG GOVERNMENT. WE ALL HAVE A LARGE STAKE IN SEEING THAT THE AMERICAN EXPERIMENT IN PLURALISM AND LIMITED GOVERNMENT SUCCEEDS IN CREATING A FAIR, JUST, AND HUMANE SOCIETY.

Senator DENTON. Thank you, Dr. Smith.

Are you gentlemen or your organizations invited to have access to the task force, for example? Certainly, your papers, your findings, will be of interest in the administration. Do you feel that the task force will take adequate note—and I ask this of all of you—of what you are saying here? There is a great commonality among you, as well as the usual diversity, which permits us to progress after analysis.

Dr. SMITH. We have good relations with the task force, Senator. We have had Bill Verity over to Brookings, speaking in one of our conferences, and we have been working closely with him in a number of areas.

I think my colleague, Mr. Rosenbaum, might like to comment on the joint venture which he is doing with the task force, putting out a special journal issue on community partnerships.

Senator DENTON. Would you take the mike, Mr. Rosenbaum?

Mr. ROSENBAUM. I should mention very briefly, Senator, that we are publishing a special issue of our national magazine, the "Journal of Community Action," in cooperation with the President's task force on the theme of community partnerships, and we hope that the special issue of that magazine, which will be distributed very widely on a national basis, will give some content to the notion of community partnership and help spread the word around the country.

If I could take 3 minutes, Senator, I want to make two points which were not in our prepared testimony, which I think ought to be considered in your further discussions of voluntarism.

One is that the American people still have enormous reserves of creativity and resilience, and are not necessarily waiting for the business sector or the voluntary sector or government to come to their rescue in these times.

One phenomenon that we have noted in our own studies at the Center for Responsive Governance is a dramatic upsurge in what we are calling neighborly sharing or mutual aid—that is, sharing of shelter by the elderly, sharing of food through food banks and food cooperatives, sharing of skills and tools through tool exchanges, work exchanges in neighborhoods, sharing of services, daycare arrangements informally made in neighborhoods, transportation arrangements, and so forth. From my perspective, this phenomenon which, as I said, is mushrooming all over the country—and we are documenting these examples—is perhaps closer to the true spirit of voluntarism than many of the larger voluntary institutions in this country, which have become, as some of my colleagues have alluded to, highly bureaucratized, professionalized, with very high salary scales, and so forth. That is point No. 1—I will be happy, of course, to make details on that phenomenon available to you from our studies.

The second point, which has not been mentioned this morning, is about youth service. When we have talked about voluntarism, we have talked almost exclusively about adults volunteering in voluntary organizations. We have an enormous pool of youth in this country that should be doing more for their communities through youth service. One context in which you might want to consider

that is, of course, the proposed legislation on national service in the Armed Services Committee. I do not know if you have been involved in that.

I have been very supportive of that legislation, the idea being that youth would have an alternative way of serving their country, other than the armed services, but that it would be a structured requirement that youth put in some time to serve their country in voluntary institutions. I think that perhaps now, given the new emphasis on voluntarism and the new climate of private sector initiatives, that national service legislation should get increasing attention by the Senate and the House.

Senator DENTON. Certainly, we have been negligent—I have—in singling out the elderly for their willingness to serve, and some of the youth groups that I know of and heard of in the juvenile justice hearings of Senator Specter. That group of young men formed in New York, "The Guardian Angels," some of these girls' organizations do—and I do not want to sound elitist—but some of the high school and college sororities and fraternities do good works. Those kids are looking for a means of expressing their idealism, and their compassion, and they do it. I do believe that we could find ways of giving more opportunity to that expression than presently exist.

To me, there is a reservoir, a potential out there that is almost infinite, and I hope we do not get lost in quarrels, because we are into pioneering, really, getting back to caring about one another. I am optimistic about the prospects.

We will be looking at the findings that your organizations come out with. I have been really impressed by the objectivity and the good will with which disagreement and agreement have been expressed.

I will ask you, gentlemen, if you will, to respond to questions we will be submitting to you individually and in some cases, collectively. If you will respond to those within the next 2 weeks, I would appreciate it.

Senator DENTON. I want to thank you for your testimony. I am required on the floor, and this hearing stands adjourned.

[The question and answers referred to and additional information supplied for the record follow:]

[illegible]

United States Senate

COMMITTEE ON LABOR AND
HUMAN RESOURCES
WASHINGTON, D.C. 20510

April 30, 1982

Dr. Jack Meyer
The American Enterprise
Institute
1150 17th Street, N. W.
Suite 700
Washington, D. C. 20036

Dear Dr. Meyer:

I would like to thank you for taking the time to present your views on Voluntarism before the Subcommittee on Aging, Family and Human Services. Your testimony will be very helpful to the Subcommittee as it continues to look into this area.

I am sorry that time constraints did not permit me to ask questions during the hearing. I would appreciate your providing answers to the following questions for inclusion in the printed transcript. The hearing record will be held open for two weeks so that you may prepare your answers:

1) Dr. Smith and Mr. Rosenbaum have stated that "the debate on the role of the voluntary sector... has been initiated, not resolved, by what the Reagan Administration has proposed." Do you have suggestions for additional steps the Administration should take to promote voluntary service in this country?

2) You mentioned certain notions about federal spending that must be shattered. I believe one notion which was not mentioned is that all people who have been reaping the benefits of federal programs are unable to contribute to their cost and that these programs are of absolute necessity to their participants. Would you please comment on this?

3) Dr. Smith and Mr. Rosenbaum mentioned several service areas in which there is "little prospect for alternative support" in the face of federal budget reductions -- training and counseling of youth, services to the elderly and disabled, housing and income assistance to the poor. Do you agree with this assessment?

4) You believe there is no need for a "dollar for dollar" matching of federal budget cuts by the private sector. Dr. Smith and Mr. Rosenbaum, on the other hand, seem to imply that the inability of the private sector to totally make up lost federal dollars will cause harm to some people. Could you comment on this?

5) You seem to be somewhat critical of the call for business to double contributions to charity. I realize that throwing money at a problem will not solve it, but why should we not try to encourage more philanthropy?

Again, thank you for your participation in the hearing. I hope we can continue to communicate on this issue.

Sincerely,

JEREMIAH DENTON
United States Senator

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1) The Reagan administration, of course, did not actually initiate the debate on the role of the voluntary sector. That debate has coursed through our entire history. President Reagan deserves credit, however, for stimulating renewed interest in assessing the proper balance between the public and private sectors. I think that, as of this moment, the Reagan administration has spent too much time talking about promoting voluntary service and has paid insufficient attention to revising government policies that handicap or impede private sector self-help efforts. The administration has allowed its Private Sector Initiatives Task Force to define the debate over voluntary efforts largely in terms of guidelines for giving, which as indicated in my testimony, I oppose. By contrast, this task force has not yet developed an agenda of federal policy reform based on a thorough scanning of federal regulations and policies.

The Reagan administration could usefully extend its interest in promoting voluntary efforts to ease social problems by ordering each dependent government agency to evaluate the full panoply of rules and regulations and modify those that cannot be justified. State and local governments could follow suit. For example, a variety of housing codes, zoning requirements, and credentialing requirements block women in residential areas of some U.S. cities from providing day care. These restrictions are generally defended on the grounds of assuring quality, but often go far beyond any considerations of protecting the public welfare. Thus, we see requirements that homes providing day care have a certain number of toilets, mirrors, stoves, and so on.

It is important for the Reagan administration to be more bold in building an incentives approach into its policies in areas such as health

care, housing, and environmental policy. I am attaching for your information my testimony before the House Committee on Aging that presents the principles around which an incentives approach to health care cost containment could be centered. Our forthcoming AEI book on private sector initiatives lays out numerous policy reforms that build more flexibility into federal policy and capitalizes on, rather than retards the creative energy of the private sector.

Finally, I think that the administration and the Congress should review the features of federal tax law affecting the efforts of business, foundations, and individuals to improve social problems.

2) I do not suggest that all beneficiaries of government policy "pay their own way" or contribute to their own assistance. I do believe that federal assistance in areas ranging from welfare to health, nutrition, and housing should be scaled to income, and graduated in such a way that those with little or no resources of their own receive full support while those with slightly more resources receive slightly less, and so on.

I believe that we need to target our limited federal resources available for social programs to those in greatest need. We have too much "middle class" welfare these days, including overly-generous income maintenance programs for skilled workers on lay off. Benefits for these people are often tax-exempt and indexed for inflation, while others who are less well off, but working are paying taxes and struggling to maintain the real purchasing power of their net earnings.

Structural reforms in social programs that increase their effectiveness, along with the scaling back of aid to those in higher income groups, can

enable us to meet our legitimate obligation to those in lower economic groups. We can no longer afford open-ended aid to so many through inflexible, high-cost program designs.

3) All of the areas of assistance mentioned here are problem areas where the private sector has many effective programs in progress. They are projects that have not just sprung up in response to federal budget cuts, but have been developing for years. For example, in the area of training and counseling of youth, I would point to such programs as Jobs for America's Graduates, 70001, OIC, and programs sponsored by Ralston-Purina and Continental-Illinois Bank. There are, of course, many others, some that receive a portion of their financial assistance from government, some that do not. They all spring from private sector initiative in either the for-profit or nonprofit sectors. We devote a full chapter to these programs in our forthcoming book on private sector initiatives.

Nonetheless, it is important to stress that such projects and programs will not automatically be scaled up as government funding in these areas is scaled back. Indeed, the line between private and public is often indistinct, and budget cuts will hamper, or eliminate some successful programs run by the private sector, but largely dependent on government financial support.

Thus, there is every prospect for "alternative support" but we should not kid ourselves that this will fill some gap associated with budget cuts. There will be adjustment pains and learning experiences as we change the balance between the public and private sectors.

In my view, it is important to ascertain the ingredients of successful efforts to help people with these problems, whether those efforts are wholly

public, wholly private, or a mixture of the two.

4) Of course, the inability of the private sector to match federal dollars will cause harm to some people, particularly during the period of adjustment to which I referred earlier. And this is regrettable. But, it should be noted that many of the government programs being scaled back were also far from totally effective in avoiding harm. This harm to people is not unique to the past year, and some government programs even perpetrated harm by fostering dependency and stifling self-help efforts by people who were seen by the social service establishment as unfit to provide aid.

We should not make the mistake of measuring the scale or magnitude of assistance solely in terms of dollar contributions. While the private sector cannot, and should not, match federal funding cutbacks with an equivalent amount of financial aid, this does not mean that the dollar difference between the two is purely "unmet needs." Many of these needs will be met in other ways, as business, labor unions, church and neighborhood groups, and families pitch in their time, talent, and creative energy. In the long run, this may be more valuable than the dollar grants.

5) I surely do not want to discourage philanthropy and I have no objection to those who take it upon themselves to urge people to be more generous. I oppose specific targets and guidelines of the type proposed by the President's Private Sector Initiative Task Force.

I believe that businesses and individuals help in different ways. Some write checks enabling others to act, and this is fine. Others do the acting, or facilitate the actors. Particularly in a time of deep recession, I do not think it is advisable to ask everyone to "give more money." I think it is appropriate to ask all citizens to "care more." But this caring can take many forms, and our work suggests that many of the most caring, and most successful helping initiatives involve shoe-string budgets, while some big-dollar contributions lead to little improvement in social problems. Let's judge outcomes, not just financial inflow.

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Advanced Study Program

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May 18, 1982

Honorable Jeremiah Denton
United States Senator
Committee on Labor and Human Resources
4232 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Denton:

I am happy to respond to your letter of April 30, 1982, which follows up on the hearings of your Subcommittee on Aging, Family and Human Services. I have consulted with my colleague Nelson Rosenbaum and with his consent will respond for both of us.

We enjoyed very much the chance to express our views for your Subcommittee and we congratulate you for taking the lead in focusing attention on this important range of issues.

1. When I said that "the debate. . .has been initiated, not resolved, by what the Reagan Administration has proposed," I meant that the Administration has raised some very important issues and placed on the agenda of public debate and decision a set of fundamental issues. The Administration has only partially sketched out its own plans, and thus it has not fully crystallized its own thinking on these issues. We will await further definition of the Administration's goals as further aspects of the voluntary sector's roles and functions are debated. From the standpoint of the Congress, an independent assessment should be undertaken of the main directions that the Administration has charted for the country. The Administration believes that government should play a much smaller role in our society, that too much government initiative in recent decades has sapped the energies of the private sector, and that the private sector can perform many functions more efficiently, cheaply, and with a higher quality than can the federal government. Where government is essential, the Administration proposes that important functions can be devolved onto state and local government. This central issue of the role for government in our society will be at the center of public debate throughout the decade. I share the belief that the public sector grew too large and that some scaling back of the government's role is desirable, but the Administration has gone too far in the other direction. The government cannot and should not shed all the functions which the Administration would like to thrust back to the private sector. No uniform ideological answer exists to the question of when a function should be performed by the government and when by the private sector. A practical approach

which does not assume that everything must be either government or private is probably best for the country. A careful look at how services are actually delivered in many policy areas suggest that our system is a mixed one with government providing funds in a wide range of private sector institutions carrying out functions in a flexible and creative fashion. I will leave additional steps to promote voluntary service for the answer to question 5 below.

2. I am not sure that I fully understand this question and I cannot recall exactly what Dr. Meyer had in mind. I do believe that you are correct stating that the question of user or service fees, ability to pay, and the linkages between those who benefit from services and those who bear the cost were not fully developed at the hearing. My belief is that many services were underpriced over the past decade and that this contributed to the greatly increased demand for services. We are probably moving toward a situation in which the cost of services of all kinds will be increasingly borne by the consumers of those services. Consider the example of higher education. In many states, tuition and fees for public higher education have been very modest in comparison to the very substantial fees paid by students who attend private colleges and universities. As the costs of maintaining high quality systems of public education have increased, however, tuitions have begun to rise, in some states to fairly substantial levels but still substantially below private school tuitions. Problems of access to higher education, and thus of entry into the higher professions, have been raised by increases in the cost of attending public institutions of higher learning. But probably few of our fellow citizens would dispute the idea that the individual who benefits from higher education should bear some part of the total cost. The situation becomes more difficult when we get into the program areas covered by the "safety net." We assume that an individual has the right to health care regardless of ability to pay. Other programs provide for the disabled, for families with dependent children whtout the means of support, for the aged, and for other needy groups. It is important that these programs remain in effect to protect the truly needy. Even here, there are some arguments as to the appropriate level of benefits (and variations within state programs), but a consensus exists behind what the Administration has termed the "safety net" programs for the needy. A more controversial area concerns those services which are provided to the working poor. Many programs provided by human service agencies in the voluntary sector, with funding from public agencies, are directed toward individuals who are seeking to move from conditions of deprivation to more stable and productive lives in the community. With cuts in federal and state programs, some of these individuals may be thrown back into the poorest categories and lost their chances to estqblish themselves as productive members of society. Decisions on future cutbacks in these areas must balance the gains of holding down public expenditures for some programs against the potential human and social costs of adding to groups and individuals in the neediest category.

3. The impact of tax changes upon charitable giving is a difficult subject. It appears that the 1981 Act may make it easier for the small giver to increase his or her charitable contributions, while it may encourage somewhat the amount of giving by those in the highest brackets. The estimates that are pessimistic about the 1981 tax changes are based on the assumption that there are more incentives to give when the putative tax rate for the highest incomes is 70 percent, than when 50 percent is the top tax on earned income. In fact, individuals give for a variety of reasons which reflect other considerations than tax advantage. The more optimistic estimates point to the complex set of motives that influence giving rather than relying fully on assumptions of economic rationality. There is at present no empirical evidence to settle the point in any authoritative fashion. Our belief is that, as economic recovery takes place, charitable giving will increase somewhat among both middle- and upper-income individuals. A continued deep recession will likely cause giving to slow and even to decline.

4. The issue of "dollar for dollar" matching of federal budget cuts by increased efforts within the private sector is not in our view a very helpful formulation. There is no doubt that some services may be provided more efficiently and cheaply within the voluntary sector than by direct government operation. But federal budget cuts of the magnitude that are sometimes proposed would overwhelm the capacities of the private sector. We should not make the assumption that there can never be any cuts in federal programs, but at the same time it is evident that cuts in the magnitude of some recent proposals would inevitably have far reaching effects. The issue that we now fact is: Should further large cuts be made in discretionary social programs in the context of seeking to reduce large federal deficits? Our belief is that cuts in the discretionary programs have been substantial and further large cuts would be injurious without contributing to the goal of deficit reduction. A tight fiscal policy runs risks at a time of extreme recession. But if significant expenditure reductions are sought along with revenue increases to reduce the size of the federal deficit, it would appear unavoudable that entitlement programs and defense spending would invite close scrutiny.

5. Several ideas to encourage voluntarism include the following: We would recommend passage of the Neighborhood Development Demonstration Act of 1982, sponsored by Congressman Joel Pritchard (R, Washington), which would provide federal matching funds for neighborhood groups raising charitable contributions for neighborhood improvement. We believe that it would be desirable to increase federal tax deductions for mileage and other transportation expenses incurred by volunteers getting to and from work. Some liberalization of tax allowances for this purpose has already occurred, but increasing the tax deduction would be desirable.

We would also encourage consideration of tax incentives for disabled individuals to purchase devices that would increase their productivity (for example, enabling blind or visually handicapped individuals to purchase and obtain tax write-offs for video reading devices or the new voice/word scanning machines).

I hope that these observations will be useful to you as you carry forward your work. Please do not hesitate to call on us again is we can be of any further use.

Sincerely yours,

Bruce L. R. Smith
Senior Staff

cc: Nelson Rosenbaum
Center for Responsive Governance

BLRS:rg

Frito-Lay, Inc.

JUL 8 AM 9 28

D. W. Calloway
President

May 27, 1982

The Honorable Jeremiah Denton
United States Senate
Washington, D.C. 20510

Dear Sir:

In response to your letter of April 30, I am pleased to provide the following additional information you requested.

In regard to your questions:

1) You first asked: How much increased responsibility for meeting social needs can large businesses realistically assume? Do small businesses have an increased role to play?

I am convinced that large corporations can go much further in accepting social responsibility; although I can't measure it exactly. I do not believe that the solution is money alone. As I mentioned in my testimony, the greatest contribution a business can make to society is to stay in business and provide jobs and taxes and desired products. This then provides for better schools, roads, parks and so on.

On the other hand, we can do much more by encouraging our employees to get involved in social need. People solve problems and the most talented people frequently go into business. If we can channel more of this talent through voluntarism we can solve a great deal.

Small businesses also have an important role to play, but they have many more restrictions ... because they work with smaller budgets, and because they have fewer employees to pick up the slack.

Frito-Lay Tower Exchange Park Dallas, Texas 75235 214-351-7800

However, there are an enormous number of small businesses now and the number continues to increase dramatically every year. We need to find more ways to get small business involvement.

2) Your second question asked: Is Frito-Lay a typical company in terms of its commitment to the community, or above average?

In regard to community involvement, I feel Frito-Lay is above average in its commitment to the community, but probably below the standards set by a few important national leaders.

A company like Western Electric, for example, has had formal volunteer programs since the mid 1960's. Frito-Lay is catching up ... but we're not there yet. My guess is that our own effort will be twice as effective within two years.

In regard to the second point, my presentations around the country have illicited enthusiastic reaction and a great deal of interest. I don't know yet if that interest will be translated into action, but I suspect it will in many cases.

3) When you announced that every senior manager of Frito-Lay should become active in at least one community organization by the end of 1982, what reactions did you get from your employees?

For the most part, the reaction was excellent. Those who had volunteered before were especially interested; those who had not were anxious to learn what specific activities we had in mind. They had no objection as long as the volunteer job matched an interest or a skill. I'll be able to tell you more about all of this after the year is over.

On a final note: This letter is slightly late because an emergency came up. When Braniff went out of business two weeks ago the Mayor of Dallas asked me and Frito-Lay to head up a task force to get jobs for the more than 5,000 affected employees. Everybody here has dropped everything (except our business responsibilities) and plunged in to help. We have organized job fairs, held readiness seminars, prepared "Skill Assessment"

books, queried more than 50,000 businesses about opportunities, prepared more than 2,000 job history forms and did just about everything else to help get these fine people jobs. I'll let you know how we made out in 60 days.

Best regards.

Wayne Calloway

D. W. Calloway

DWC/se

TESTIMONY OF

ROBBIE CALLAWAY
EXECUTIVE DIRECTOR

AND

THOMAS R. McCARTHY
PROJECT DIRECTOR

The National Youth Work Alliance is happy to offer comments to the Subcommittee on the subject of volunteerism. We speak not only from the perspective of local youth programs but also from the perspective of a national organization engaged in promoting volunteer use among our 1,500 member agencies across the country.

These locally established programs consist of juvenile justice and delinquency prevention programs, youth employment projects, youth service bureaus, group homes, runaway centers, various types of recreation programs, alcohol and drug abuse prevention projects, and multi-purpose programs.

Volunteers have long been an essential part of traditional "uniformed" groups such as the Scouts and Campfire. Unfortunately, the type of programs we represent--programs developed for the most part in the last 15 years to address the specific problems and needs of troubled and at risk youth--have generally not effectively utilized volunteers.

This is due primarily to two reasons. First is the mistaken notion among many potential volunteers that they are not equipped to make a contribution to such a program. The second is, sad to say, the hesitancy of many local programs to use volunteers. The hesitancy is due to the fact that most of their limited experience with volunteers has been haphazard and poorly coordinated. Not only do they not know how to recuit, train, use, and support volunteers, they were not sold on the benefits that can be reaped from such an investment.

The need for local programs to be more resourceful, the mushrooming spirit of volunteerism, and our own specific efforts have,

however, begun to reverse the situation.

Currently under a grant from the federal volunteer agency, ACTION, we are implementing a program with runaway centers across the country to stimulate and maximize volunteer use. This summer our sixth annual National Youth Workers Conference will have "Volunteerism" as its theme.

We are finding that many of an agency's administrative and programming areas can be successfully addressed by volunteers. Whether it is typing or budget planning; driving a youth to the doctor's or offering peer support to a troubled parent; planning and implementing a community fundraiser or gaining the support of a local corporation, volunteers are beginning to prove their worth to our members.

Often the most talented and committed of these volunteers are retirees and other senior citizens. They are a constant reminder of the fact that the "generation gap" need not exist.

We are happy to report that youth themselves have been used as volunteers in most youth programs. Such "youth participation", as it is called in the youth work field, has former runaways helping to persuade present runaways to return home, ex-drug abusers counseling abusers, and other youth involved in outreach, office work and activity programming. Following the model of "Young Volunteers in ACTION", many of our members assist youth in volunteering at old age homes, day care centers, and other community services. Youth volunteerism, of course, not only benefits others; it is of major benefit to the youth themselves.

Based upon the experiences outlined above, we wish to submit the

following suggestions to the Subcommittee for its consideration:

1. Support and encourage the promotion of volunteerism by ACTION and other federal agencies.
2. Encourage federal agencies to provide technical assistance to their local grantees in the recruitment, training, utilization and support of volunteers.
3. Make the use of volunteers a critera for federal funding of community based programs.
4. Support milage and other tax deduction allowances for volunteers. If economic realities do not permit full support for such proposed Bills, consider extending them only to senior citizens.
5. Encourage each Member of Congress to grant "recognition awards" to outstanding volunteers - including youth - in their home districts.

Thank you for the opportunity to share our experience and suggestions regarding volunteerism.

VOLUNTEERS ARE ... IN EDUCATION

April 20, 1982

The Honorable Jeremiah Denton
Senate Committee on Labor and Human Resources
Washington, D.C. 20510

Dear Senator Denton:

Thank you for offering to include written testimony from the National School Volunteer Program (NSVP) in the published record of your hearings on "Volunteerism in America: Promoting Individual and Corporate Responsibility". I appreciate the fact that you could not accommodate all of those requesting the opportunity to testify. I remain convinced that volunteerism in education, particularly corporate volunteerism, is one of the brightest and most hopeful sectors in the volunteer movement. Almost every American, no matter what their level of training, can help school children learn. It is an investment that has tremendous long-range payoffs.

Enclosed is NSVP's written testimony. I will look forward to attending the hearings on April 22, 1982.

Sincerely,

Sandra T. Gray

Sandra T. Gray
Executive Director

STG/rvm

Enclosure

National School Volunteer Program, Inc., 300 N. Washington Street, Alexandria, Virginia 22314 (703) 836-4880 NSVP

April 7, 1982

Written Testimony for
U.S. Senate Hearings on Voluntarism in America
Committee on Labor and Human Resources
Sub-Committee on Aging, Family and Human Services
Honorable Jeremiah Denton, Chairman

by
Sandra T. Gray
Executive Director
National School Volunteer Program, Inc.

I requested that I be permitted to submit written testimony to this committee, so that the issue of volunteerism in education may be added to those you are considering. I am writing as Executive Director of the National School Volunteer Program, Inc. (NSVP), the association representing volunteerism in America's elementary and secondary schools.

NSVP is a non-profit membership association headquartered in Alexandria, Virginia. NSVP members build partnerships between education and the private sector by working from their unique positions within the community. Its members are professional educators and community organizers, parents, school administrators and business leaders in 47 states and Canada. NSVP is a nationally recognized education association because it provides leadership for millions of school volunteers. We have provided training, publications and other forms of technical assistance to 4,000 school districts across the country. We help businesses establish employee volunteer programs; and give older Americans and parents the opportunity to contribute to their grandchildren's and their children's education. NSVP's Board of Directors, National Advisory Council, Council of Regional Vice-Presidents, State Affiliates and local program coordinators constitute a national network of support and communication.

I listen to this network and I listen to the President. Both are talking about volunteerism in America; both are convinced and convincing about its merits and its role in our history and our national spirit. But the messages begin to diverge when the discussions turn to expectations. It is at this critical point that my network of school volunteer leaders joins the chorus of those — all true believers in voluntarism — who say, "beware!" We are proud of what we as individuals can do for needy Americans. We agree that the citizens in community voluntary organizations do a much better job than government bureaucrats of instilling self-sufficiency among their neighbors, but we also know better than to think we can fill the gap that will be left by federal, state and local budget cuts in education.

I believe that three dangers for volunteer organizations inhere in the President's economic recovery program and, ironically, in his campaign to promote voluntarism. The first is the most tangible: coordinating volunteer services costs money, and federal budget cuts translate at the local level into cuts in "non-essential" services. Although school volunteer programs can be considered "non-essential", they are extremely cost-effective when well-managed and well-integrated into the curriculum.

Secondly, the private sector will not necessarily support all types of programs and populations equally. Attempts to direct private philanthropy to serve any particular need would undermine the spontaneity and diversity which characterize the private sector. Corporations, foundations and individual donors are all motivated by various mixes of the two key ingredients of all giving: good will and self-interest. Even with their diversity they will not address every legitimate social need in this country. While dependence on big government is not desirable, it would seem that dependence on the private sector could create another set of problems among which are the issues of "equity and access."

The greatest risk, though unintended, is that the President's initiative will so raise expectations about the capacity of voluntary organizations that the ensuing demand will frustrate them and finally undermine their credibility. The threat applies to all levels of volunteer activity. Local communities which expect a myriad of skilled and reliable volunteers as well as state and national officials who anticipate miracles of coordination and facilitation may pressure fragile organizations with limited resources to over-promise and over-extend. If we foster unrealistic expectations, we will damage rather than nourish the wonderful "spirit of voluntarism" that has helped make America great.

The President deserves great credit for his efforts to renew the spirit of sharing that built and sustained America's pioneer communities. NSVP has been keeping the spirit alive during the years of protest and the "me-decade," periods that did not foster cooperation. Now with the President's campaign to promote private sector initiative, NSVP is pleased to be able to provide vehicles for partnerships between the community and the schools. Volunteerism in education, particularly corporate volunteerism, is one of the brightest and most hopeful sectors in the volunteer movement. Every American, no matter what their level of training, can help school children learn and grow into productive adults. Every business can contribute tremendous expertise and support. NSVP's library is replete with model programs that could accomodate every man, woman, and organization's investment in America's most important public enterprise. It would be an investment with tremendous long-range benefits for all of us.

Thank you for the opportunity to submit this testimony to the Sub-Committee on Aging, Family and Human Services.

[Whereupon, at 12:02 p.m., the subcommittee was adjourned.]

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